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LECTURES
ON
ORGANISATION OF INDUSTRIES

By

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PREFACE

The following lectures are on the lines of the course prescribed in the Organisation of Industries for the M. Com. Examination of the University of Agra and other Indian Universities. They are published specially for the benefit of students. They may also be read with interest by others interested in the industrial development of the country. I have purposely abstained from laying before them masses of detailed narrative but references have been mentioned for detailed study.

In the preparation of these lectures I have consulted and used freely 'Industrial Organisation of India' by P. S. Lokanathan and 'Industrial Problems of India' edited by P. S. Jain and 'Commerce' and the 'Eastern Economist'. The commercial and economic journals mentioned above contain a mine of valuable information and should be read regularly by the students of Industrial Organisation. I gratefully acknowledge the assistance received.

I also feel obliged to my colleague Mr. A. P. Gaur M. A. and my son, Bhupendra Rallan for typing the manuscript and giving valuable suggestions and to Professor J. P. Rastogi, M. A., B. Com. of Meerut College for reading the final proofs.

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S. R. Rallan.

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LECTURE I

ORGANISATION, FINANCE AND MANAGEMENT OF LEADING INDUSTRIES.

Indian Cotton Mill Industry.

The foundation of the Indian Cotton Mill Industry was laid in the middle of the last century. The first mill was established in 1854 in Bombay by a Parsee merchant. The early concentration of the industry in Bombay was due to its advantagous geographical and climatic situation, abundance of capital and credit facilities, presence of cheap and efficient means of transport and communication and the establishment of a profitable export trade in yarn with China. The year 1877 saw the rapid development of mills in the upcountry centres situated in the heart of the cotton producing tracts like Nagpur, Ahmedabad and Sholapur. In the early seventies and eighties of the last century, the industry made rapid progress.

The commencement of the present century saw the decline of trade with China as rapidly at it had developed before, which affected Bombay's position of unequalled pre-eminence adversely. The principal factors which led to the decline were–the disturbance in the exchange rates with China consequent upon the closing of the Indian mints to the free coinage of silver, the rise of the spinning industry in China, the shipping difficulties of the

Indian merchants and the neglect of foreign markets by the Indian producers due to the large internal profits. The exports of cotton twist and yarn declined rapidly and India now exports only a small percentage of her yarn production.

The last war of 1914-18 gave considerable stimulus to the cotton industry. The home production increased due to the large patronage extended to the mills by the Government in respect of their military requirements, the shrinkage in the imports, and the sharp rise in the prices of imported cloth. The capital investments in the industry increased to double the amount and the Bombay Cotton mills paid very high dividends

The boom which lasted for 6 years was followed by a crash and India had to participate in the world depression as it did in the world boom. Japan began to pour cheap goods into India which forced down the prices of goods produced in Indian mills. The violent fluctuations in the prices of cotton since 1917 and the reduced purchasing power of the agriculturists due to the fall in the world agricultural prices since 1920, further worsened the position and 1923 was probably the worst year for the industry.

Protection To The Industry.

In 1926 when it became clear that the industry was not in a satisfactory condition, the first survey was made and the Tariff Board reported in 1927. It held that the unhealthy internal conditions, unfair competition from Japan and the

general trade depression, were the causes of deterioration and recommended, *inter alia*, better organised purchase of raw materials, piece work system, greater diversification and more specialisation in products of higher counts, development of new lines of production and maintenance of a closer touch with consuming centres in India as well as abroad, etc.

The Tariff Board also recommended raising of the import duty of 11 to 15%, bounty on the spinning of higher counts of yarn and the exemption from import duty of cotton textile machinery and mill stores. The government partially accepted the recommendations and protective duties were imposed on cotton yarn to the extent of 5% *advalorem* or 1½ annas per pound, whichever was higher, by the Indian Tariff (Cotton Yarn Amendment) Act of 1927, for a period of three years. The duty on machinery and mill stores was also removed. All this, however, did not satisfy either the mill industry or public opinion in India. Although labour conditions in Japan had improved, a new danger had arisen in the shape of a large import trade from China where labour conditions were far inferior to those in India. The protective duty was, therefore, extended for a period of three years ending on the 31st March, 1933. The depression in the industry, however, continued and the general feeling was that more substantial help was needed.

The utter inadequacy of the protection granted to the industry so far, was abundantly evidenced

by the increasing imports of piecegoods from Japan in the following years. As a result, the Government appointed in 1929, Mr. G. S. Hardy to investigate the extent and severity of foreign competition. Upon the recommendations of Mr. Hardy, the Govt. of India passed the Cotton Textile Industry Protection Act in 1930 which raised the *advalorem* duty from 11 to 15% to afford adequate protection against Japan till March, 1933. A minimum duty of 3½ annas per pound was also levied on plain grey goods to help Bombay in the financial and technical organisation of the industry. A special protective duty of 5 per cent, which was limited to non-British goods was also passed and thus Imperial Preference was introduced through the back-door.

For revenue reasons, these *advalorem* rates were raised by 5% in March, 1931 and a surcharge of 25% of the enhanced duties was imposed in October of the same year, bringing the rate of duties to 25% (British) and 31¼% (foreign), with a minimum specific duty of 4⅜ annas per pound on plain greys. At the same time, an import duty of 6 pies per pound on all raw cotton and of 10% on machinery and dyes used by the industry was also levied.

As the protective duties imposed by the Act of 1930 were to expire on 31st March. 1933, the Government directed tha Tariff Board in 1932 to enquire into the question of the grant of substantive protection to the industry. In the meantime

the depreciation of the Japanese exchange enabled her to place her piecegoods on the Indian market at abnormally low prices and the Government had to direct the Board to make an emergency enquiry (July, 1932) and in accordance with the recommendations of the Board the duties on foreign peiecegoods were raised from August 1932 to 50% or 5¼ annas per pound, whichever was higher. But Japanese dumping still continued and to counteract it the Government denounced the Indo-Japanese Convention of 1904 and enhanced the duty to 75% *advoloiem* and 6¾ annas per pound from 7th June, 1933. In the meantime the operation of the duties of 1930 was extended first to October 1933 and then to 30th April 1934 pending the conclusion of the Indo-Japanese negotiation for a new Trade Agreement. At last the Indian Tarriff Textile Protection Amendment Act was passed on 26th April, 1934 and it fixed the rate of import duty on cotton piecegoods, not of British manufacture, at 50% *advaloiem*, subject to a minimum of 5¼ annas per lb. in the case of plain greys. This Act was to remain in force till March 1939.

As the Bombay Lancashire Agreement was to expire after two years of its commencement in 1933, a special Tariff Board was appointed in 1935 to investigate into and report on the question of protection to the Indian Textile industry against imports from the United Kingdom. The Board recommended that the duty on plain grey goods be reduced from 25% or 4⅜ annas per pound which

ever was greater, to 20% or 3½ annas per pound which ever was higher, that the duty on bordered grey, bleached and coloured piece-goods (other than prints) should be reduced from 25% *advalorem* to 20% *advalorem* and that the duty on cotton yarn should remain the same. Tho Government of India simultaneously announced immediate reduction (with effect from 25th June. 1936) in the rates of duties on Lancashire piecegoods as recommended unanimously by the Tariff Board, without consulting the legislature. The report caused a good deal of dissatisfaction to both the Lancashire and Indian industries but the Government defended their action.

A new Indo-British Trade Agreement was concluded in 1939 in place of the Ottawa Agreement and accordingly preference to Lanchashire piece goods has been linked up with the purchase of Indian cotton by the United Kingdom on a reciprocal graduated scale. Britain undertook to make efforts to encourage the consumption of Indian cotton in Lancashire mills and India undertook to reduce the duty on British manufacturers. The new Agreement provides, on the one hand, for penalties in the event of a fall in the consumption of Indian cotton by the United Kingdom below a certain minimum and on the other hand for rewards in the event of an increase in consumption above a limit. This new Agreement, which brought strong opposition by the Legislative Assembly and the Indian cotton textile industry, extended the

period of operation of the protective duty on cotton piecegoods upto 31st March, 1942.

Some Defects In The Indian Cotton Industry.

Some general defects which brought the depression in cotton mills and which, if not attended to may further adversely affect the industry, may be noticed here :—

(1) *Reckless financial management* :— the Managing Agency System has come in for a good deal of damaging criticism and its detailed working has been considered already* During the boom (1917-22) the mills made very heavy profits which were frittered away in distribution of high dividends and were not utilised for building up adequate reserves. *H. L. Day* has well observed that "If the mill owners of Bombay had followed a cautious policy of dividend distribution and built up a suitable reserve fund, they could have continued to give a reasonable dividend to the shareholders and at the same time succeeded in maintaining a strong financial position to tide over the difficulties of the depression that inevitably followed the boom". This was partly due to the lack of foresight on the part of the management and partly to the wild desire of the shareholders for abnormal rates of dividends.

(2) *Over Capitalisation* :— This was due to the changes in managing agencies and capital due to sales, resales, and recapitalisation to accord with

* *RALLAN—Corporation Finance.*

the boom earnings. The mills by revaluing their assets in the period at very high prices obviously created huge reserves and issued bonus shares out of them. The sales of old shares and the issue of new ones at several times their normal capitalised value led to stock watering and speculation. When the depression came, the boom prices disappeared but the capital remained inflated. To meet the situation, the weaker mills released large stocks on the market and depressed the prices even for the stronger ones and inflicted losses on them.

(3) *Unprogressiveness Of Mills*:— The failure of several mills in Bombay was due to incompetence, inefficiency and dishonesty of the managing agents. The mills have not been progressive and never cared to establish direct contact with the consuming centres and to improve their marketing methods. They should establish their own selling agencies, have better contact with important distributing and consuming centres and set up a strong selling organisation for export markets. The introduction of efficiency measures and the cooperation of the workers through improved remuneration and better working conditions can go a long way in removing their incompetence and inefficiency.

Cotton mills industry during the present War

Just before the present war, the Indian Cotton Industry was in a depressing condition. The world economic depression of 1929-1933 had already

affected it and the re-entry of Japan into Indian market further affected it very adversely. Thus after a continuous period of gloom which resulted in the curtailment of production, the present war opened up the prospect of a spell of comparative prosperity for the industry. Imports of piecegoods were negligible and there was an immense increase in war orders placed by the Government and Eastern Group; and a big advance in the exports of cotton manufactures to South and West Africa, the Middle East, Australia, Malaya and the Dutch East Indies. The war also made increased demands on the Indian industry for the clothing needs of the Defence forces and also for the civil markets of the belligerent nations.

Prices of cotton goods went up abnormally and Government had to take special steps for protecting the interests of the consumers, Rationalisation had to be introduced in the industry and cheap utility cloth was produced and sold at fixed prices by the mills. Strict rationing of cloth throughout India had to be introduced to stop the activities of profiteers. The mills have, however, been very notorious for their black-marketing and profiteering activities. Huge profits have been earned and high dividends have been paid.

Future Outlook for Textile Industry

One cannot play the role of the Prophet in the face of the uncertain and ever changing world but it is safe to regard that the non competitive condi-

tions which have prevailed during the war period would continue to exercise an incentive to production. This is true not merely of the textile industry, but of other industries which have depended upon the war-caused scarcity of manufactured goods to extend their production. For the time being, while shortage of consumer's goods persists on a world scale, there is no lack of customers for the output of most of these enterprises. Consumers' demands will stand high until shortages have been met and this may take years. There is acute shortage of textile fabrics of all varieties and the immediate future is full of promise. But what of the far distant or even the near distant future. The major post-war economic problem is, the extent to which the textile industry, which has received a strong stimulus during the war, will be able to survive the fierce competitive conditions ahead.

The demonstration of the ability of these industries to survive foreign competition will come at a later date. When it does come, will they prove equal to the task ? The textile interest should give attention to the salient features of the new situation which would arise. The belligerant and the non-belligerant countries have their post-war plans with regards, to the reorganisation, the rehabilitation and the starting of the textile industry and after three or four years when their plans will be completed and put into operation, they will enter the lists of competitors. The competitive conditions will call for the utmost administrative skill and

technical efficiency from textile interests. The textile industry will have to improve if it is to survive the competitive ordeals in store for it. It is most important to improve the industrial and technical efficiency, organisational and administrative skill of our factories. The lines of improvement should be more widely implemented than hitherto.

Jute Mill Industry.

Of the textile fibres which enter into world commerce, jute is the one most used for packing and wrapping purposes. Most of the world's crops, much of its raw materials and many of its manufactured articles sooner or later are packed in jute sacks. Jute bags or wrappers are used for everything that has to be moved in quantity. Practically the whole of the raw jute supplies are grown in India, in Bengal and the neighbouring provinces of Bihar, Orissa and Assam. India has the monopoly of this fibre. Besides growing raw jute, India has been manufacturing more than half the total jute crop into cloth and bags, mainly for export to other countries. The jute export trade is of the greatest importance to India. The industry is confined chiefly to Bengal and the prosperity of the province and the neighbouring districts is closely bound up with the well being of the industry. In 1939 the total number of mills in the country were 107 out of which 98 were situated in Bengal.

In India the first jute mill was started on the banks of the Hooghly at Rishara near Sirampore in 1854. The industry progressed rather slowly during the first thirty years but it has met with great prosperity. The prosperity led to an abnormal increase in the number of mills which resulted in low profits and a crisis between 1875 to 1882 leading to the stoppage of several mills. This depression led to the formation of Jute Mills Association in 1886. The Association was formed for regulating output by enforcing shorter hours of work. Nearly all the mills, excepting two, joined the arrangement. Between 1882 and 1895 the progress of the industry was not continous due to the fluctuating supply of Jute and the unstable foriegn demand. The period between 1895 and 1914 witnessed great extension of the existing mills and the industry continued to expand.

The first World War 1914—1918 led to a considerable extension and development of the industry and a period of unprecedented prosperity ensued. The industry was called upon to meet the demand for bags, canvass and cloth for war purposes. During this period the mills made very high profits and handsome reserves and depreciation funds were provided. After the close of the war the industry had to pass through bad times. The high profits of the war led to over production but the war demand ceased and the cost of production increased due to a rise in the price of jute and in wages. The chief cause of the crisis was, however,

the world slump in industry and trade. The industry however withstood the shocks of tha depression admirably well and registered a substantial advance on account of its excellent organisation, concerted working agreements, its semi-monopolistic position and the foresight of the management in strengthening the reserve and depreciation funds in prosperous years. However, the last world slump after 1929 did not leave the jute industry unaffected. It suffered from declining prices, pressure of heavy stocks and in addition it had to face serious labour trouble due to low wages and high profits, and during the depression the profits were depressed very badly. The usual device of the association to limit the output due to over expansion, the systematic building up of reserve funds in good years, concerted action in labour troubles have stood it in good stead.

During the ten years upto 1936 a policy of curtailment of hours of work and thereby output was continously in force. The season 1936-37 saw a big increase in the consumption of jute goods which offered encouragement for the future. The following year 1937-38 saw a worsening of the position. Demand declined, stocks of manufactured goods rose, prices fell to a very low level and the mills could not come to any agreement to curtail their output. These factors, together with the unregulated production of several mills brought the industry to a very serious position. Mills were working at a loss and the industry was faced with a financial crisis. It was at this

juncture that the Government of Bengal stepped in and by an Ordinance assumed powers to control the hours of work in jute mills. The hours of work were limited to forty five per week. After the issue of the ordinance in 1938 the Indian Jute Mills Association Committee succeeded in securing a voluntary agreement according to which practically all the jute mills in Bengal and a few mills outside Bengal mutually agreed that in their interests and that of the jute industry they would regulate their production and would work for limited hours. It resulted in the reduction of stocks and improvement in prices of manufactured goods. The new working arrangements were, however, shortlived. The outbreak of the European war at the beginning of September, 1939 was responsibe for an increased demand for all sorts of jute goods. It was decided to unseal all looms and to increase the hours of work to forty five per week. Further increase in production to meet the war orders and increased demand for ordinary goods led to an increase in working hours to fifty four per week and then to sixty per week. The prices of raw jute also rose to a very high level. The production of raw jute increased and the largest jute crop was recorded for the season 1940-41. On the other hand the war developed in such a way that about two thirds of the markets for raw jute were closed as also a considerable portion of the markets for manufactured goods. With all these unfavourable factors the prices for both raw materials and manufactures fell, and the Government tried to maintain prices by ordinance and fixed minimum prices for the futures

markets for jute and hessian. The business in these markets practically was at a stand still. The effort of the Government to buy up old crop had no effect and the prices declined. Consequently in June, 1940 the Bengal Jute Regulation Act was passed in order to control Jute growing in Bengal. By thus regulating the raw jute supply they expected to control its price. At the same time the Government entered into a minimum price agreement with the Indian Jute Mill Association. The steps taken by the Government had its desired effect to some extent. In 1941 the demand for sand bags and hessian increased and the price of the manufactured Jute went up. Again, in 1941, The Bengal Raw jute Taxation Act, 1941, caused it to advance further. The mills, however, were producing more goods than there was demand for. To meet this situation the working hours were-again reduced to fifty four and then to forty five per week. This had no effect on the stock position and the Indian Jute Mill Association decided to close their mills for one week in each month from September, 1940 to the end of the year. With new orders for sa id bags the mills worked sixty hours per week upto May, 1942 but were changed again to 54 afterwards and ten per-cent of the looms were also sealed. This arrange-ment continued upto March 1943 when to meet an urgent demand for hessian from the U. S. A. Govern-ment, the working hours were again increased and the looms unsealed. No further change took place upto May, 1945.

During the war the Government had controlled the export of jute goods and the control was lifted in October 1946. The Government of Bengal had already lifted the control on internal prices. The central Government's order removed the uncertainty in the jute market although its effect will be seen only in the long run. The immediate effect of the decontrol order and the withdrawal of control over internal prices has been a rise in prices. This will benefit the growers to a considerable extent.

How far the grower will benefit from these enhanced prices depends upon several factors. The jute buyers are better organised than jute sellers. Secondly the search for substitutes in other parts of the world and measures of economy of the use of jute products may influence the course of demand. Thirdly the Bengal Government will have a hard time to restrict the jute acreage which will increase under influence of high prices, with inevitable result on the food supply of the province. The supplies into the market may also increase and as a result the prices may fall. There is news that at present there is a growing external market. The effect of the decontrol on the future of jute industry is also important. Jute markets will be hot beds of speculative activity. The jute mills will not be able to get their requirements at a reasonable price. The manufacturers are of the opinion that to buy jute at current levels and to work the factories on the reduced 48 hours-week will mean substantial reduction in

profits even if they escape losses. It may be hoped that some equitable settlement will be arrived at.

For many years Indian Jute Mills were content to restrict their activities to the manufacture of standard sizes of hessian cloth and standard makes of bags. In recent years more attention has been paid to what are known as specialities and mills are now turning out canvas, linolium, hessian, webbing, felting, etc.. A development resulting from the war is the production of a union canvas made of cotton warp and jute weft. Other experiments are in progress and the Indian Jute Mills Association set up a research department where problems connected with manufacture such as rot-proofing, water-proofing etc. are receiving the attention of experts. Some years ago the Government of India set up a body known as the Indian Central Jute Committee. It has 27 members. Representation has been found in the committee for trade and agricultural interests and the provincial governments most concerned namely Bengal, Bihar and Orissa. It has been formed to watch over the interests of all branches of the jute from the field to the factory. The functions of the Committee include agricultural, technological and economic research, the improvement of crop forecasting, of production, of testing, and of distribution of improved seeds, enquiries and recommendations relating to banking and transport facilities and transport routes

improvement of marketing; collection and distribution of all relevant information of jute.

The Committee will also advise the local Governments on any point whithin the prescribed functions which may be referred to it.

The jute agricultural Research Laboratries are situated at Decca. They are working on the improvement of the plant, the improvement in the methods of jute growing, the reduction of loss caused by diseases and insects and the improvements in the methods of retting. Very interesting work has been done in all fields of research. The technological Research Loboratories are situated at Calcutta and the work undertaken by them includes the spinning of samples of different fibres and reporting on their quality, as indicated by the results obtained. Other problems which are of direct interest to the mills are also investigated. Tests are made on fibres which are or may become substitutes of jute. The marketing section enquires into the conditions governing marketing and transport of jute in the principal jute growing districts of Bengal, Assam, Bihar Orissa, and the U. P. It has published two reports on the marketing and transport of jute. The economic research section keeps constant vigilation over all aspects of the economics of jute. Some important findings relating to the world consumption of jute, its trend in recent years and its relation to the changes in the world market have been published in the Committee's Economic Research bulletins. Besides

just research work information on various subjects pertaining to jute is regularly collected from sources in different parts of the world. A monthly journal known as the Indian Central Jute Committee Bulletin is published monthly.

At the present time the industry is faced with many competitors. New fibres are being encouraged in many countries in the name of national self sufficiency even if they cannot compete economically with jute. Mechanical harvesting of crops and bulk handling at ports and in transit are other threats to the industry. It is realised, therefore, that not only must efforts be made to meet this competition but also new uses must be found for jute and jute goods and it is hoped that the researches and experiments now being carried out will achieve this object.

The Indian Iron and Steel Industry.

Iron and steel being the basic industry in the industrial economy of any country, its develpment reflects the general economic position of the country. The progress of the iron and steel industry indicates the growth of confidence on which big capital enterprises such as engineering, railways, mining and other allied industry and transport undertakings are dependent.

India's iron and steel industry has grown so quickly that she is now the second largest producer of iron ore in the British Empire. The industry is based on the greatest resources of high grade

iron ore in the world. Of the raw materials required by the industry the three most important are iron ore, coking coal and lime stone and dolomite for fluxing purposes. Large deposits of high grade ores are limited to a few areas of which only three may be mentioned specially. In Mysore, there are big deposits of magnatite ore but they are of low grade. They are used in Bhadrawati Iron Works Mysore state and the quantity available may be put at 30 million tons. Large quantities of ores are also available near Goa. Though the grade is good the ores are soft. The most important iron deposits are found in the Singhbhum Iron belt consisting of the Singhbhum district and the neighbouring Keonjhar, Bonai and Mayurbhanj States in Orrissa. There exists some of the richest iron ore deposits in the world. The Tata Iron and Steel Companies are situated at Jamshedpur in this area.

The Tata Iron and Steel Company at Jamshedpur and the Indian Iron and Steel Company's works at Kulti and Hirapur in the Asansol region form a competent iron industry. The proximity of good class coal to the iron ore and the cheapness and quality of iron ore, low transport costs and nearness to the markets must be regarded as the main factors making for rapid progress. So far as labour is concerned, experience has gradually provided a trained labour force whose effeciency is gradually rising. There has never been any fear as regards any shortage of the volume of labour.

There is one other company in Mysore, the Mysore Iron Works, owned by the Government of Mysore which is situated at Bhadrawati.

The substantial progress made by the subsidiary industries established in conjunction with the Iron and Steel industry during the past few years goes to indicate that the steel industry has been very prosperous and successful. The tin plate industry and the wire and nail products industry are also established there. The wagon building industry has experienced better conditions. Round Jamshedpur there are numerous plants based on the Iron Steel produced by the Tata Company and they are running sucessfully. All the plants of the subsidiary companies located round Jamshedpur have shared in the prosperity of the parent industry. Another feature of the industry has been the emergence of a number of industries based on the utilisation of bye products like heavy chemicals, sulphuric and nitric acids, fertilisers, ammonium sulphate etc.

The Iron and Steel industry has been receiving the help of the State in the form of protection and bounties. Even in a period of severe depression the position of the manufacturers of steel was fully safeguarded by protective tariffs which were so adjusted from time to time as to enable the industry to make the present progress. The last decade has seen a great expansion in iron and steel industry accompanied by improvment in the various processes and the application of scientific

methods of control. The progress of the industry is one of the outstanding developments of the last war. The great basic industry has capacity for the production of practically all the sections and qualities of Steel required for the wide range of manufactured products which are or will be produced in this country. All the normal steel sections required in structural engineering can be produced. Rails and sleeper sections are also made in large quantities for India's Railways whose permanent way is entirely equipped from local sources. The capacity for the production of sheets both black and galvanised is ample to meet India's requirements. In addition to finished products large quantities of semi-finished steel are supplied to engineeing and other subsidiary industries.

The total capital invested in the iron and steel industry in India is estimated to be about Rs. 25 Crores. Roughly 1½ lac men and women are employed directly in the industry. The Industy is contributing towards the Government and public Revenues between seven and eight crores per annum by way of excise and customs duties, income and super taxes. India has practically reached self sufficiency in the more widely used forms of steel. It is now a vital national basic and a defence industry. The first World War proved its usefulness and the second World War has confirmed its indispensability.

Another feature of the steel industry worthy of note is the installation of small electric furnaces for steel making both by the large primary

producers and by a number of smaller companies of local origin. Steel from these furnaces covers a wide range of specifications some of them are of peculiar importance at the present time. These steel furnace largely operate with scrap metal of which there is an ample supply. Some of the steel produced by them is used in steel castings for the manufacture of which India has a large capacity. Another recent development is the establishment of a number of rerolling mills mainly engaged in the production of small bars. Most of these mills are of a small size and of limited capacity and operate from scrap material. These are widely dispersed throughout India and are to be found in most of the principal commercial centres.

From the foregoing it will be seen that unless there is any great increase in normal demand, India is likely to be practically self-sufficient in steel supplies except for certain specialities and sections which it is not convenient or economic to produce. The conditions imposed by the recent war changed the trend of peace time developments to some extent that it may be expected that every effort will be made to overcome any difficulties in the production of the more highly specialised requirements on the importation of which India has been relying. Turning now to the manufacturing side of India's engineering industry a corelated advance has been made in the growth and modernisation of structural steel fabricating works. There is, for instance, ample evidence thoughout India on railways and roads and

in public buildings and factories of India's capacity for structural engineering. Practically all modern bridges and other structures in this country have been constructed from Indian Steel by local fabricators. Firms of Structural engineers exist in the principal centres and a wide range of manufactured products is covered by them. In fact India has adequate facilities for the fabrication to the best modern standards of all the structural steel works likely to be required in future. India has a very large capacity for iron castings including such specialised products as cast iron pipes. On the mechanical engineering sides there are a number of firms with well equipped workshops and all facilities for designing and manufacturing plant and machinery of the highest quality. The manufacture of machine tools has been encouraged by the war conditions and there is no doubt that the majority of the simpler types of machine tools are capable of being produced. This development of India's industrial capacity is receiving special attention. In addition to the general mechanical work, ship building is undertaken and the manufacture of tugs, launches and coastal craft upto about fifteen hundred tons has been a feature of certain firms in Bombay and Calcutta. Ship repairs are undertaken and recently attention has been turned to the possibilities of ship building on a large scale. There are four large works engaged in the construction of railway wagons and underframes, heavy springs, drop-forgings, vaccum break gear and other components. And the existing

capacity is more than sufficient to meet the countrys' needs. The electrical industry has also shown considerable activity. There are electric firms for the production of fans, motors, electric lamps etc. This branch of engineering will undoubtedly make considerable progress in the near future. The last war gave an oppurtunity for the development of the engineering industries. But planning in this direction would be benificial and is in fact an essential part of our industrial expansion.

The problems facing the iron steel industry at present such as the expansion of the industry, control of prices and its nationaliastion have been referred to in the speech of the chairman(Mr. J. R. D. Tata.) of the Tata Iron and Steel Company Ltd. at its annual general meeting held in August, 1946. It is a well known fact that the prices have been generally lower than those of imported steel but Tatas do not propose to rest on that achievement or charge the highest prices possible, taking shelter under the higher import duties. They propose to pass on the benefit of reduction in costs to the consumers. *Mr Tata* said, 'We recognise that unless prices are reduced further industrial expansion will not proceed as rapidly as is necessary in the interests of the country. For this reason at a conference held in Delhi last March between the Government of India and the representatives of the steel industry your company acting in agreement with the steel corporation of Bengal voluntarily undertook to reduce the prices of its principal products. It is our intention to

continue the policy of periodically reviewing our price structure in relation to variations in costs so as to secure to the consumer his due share of the benefit resulting from reductions in costs. This shows that the company is desirous of serving the country as a whole. On the question of the nationalisation of the steel industry *Mr. Tata* clarified his position. He said, "While the public interests involved in a basic industry like steel justify a reasonable measure of control, it will both hamper effeciency and retard future developments if the state assumes the ownership and management of the industry. What is primarily required in the interests of the public is a well conceived scheme for the control rather than ownership or management by the state and it is to this aspect of the problem that the Government as well as the industry should chiefly direct their attention. It is significant in this connection that the Government of the United Kingdom has decided after mature consideration to substitute for their original proposal to nationalise the steel industry a scheme for supervising its reconstruction and extension for which the finance will be largely provided by Government. His suggestion that the policy of the state should as far as possible be not to take over the ownership of industries but to subject them to a system of effecient control which would ensure a square deal to labour employed therein as well as to consumers in general, is commendable. The industry, which has the national well being at heart has won a name for effeciency and quality

of its products and which is ready to subject itself to control in regard to distribution of its products need not be nationalised. On the question of iron and steel control established as a war measure *Mr. Tata* observes,· 'The need for some form of control in the pre ent circumstances of the industry arises from the fact that for lack of plant and equipment and of adequate supplies of essential materials such as coal, production cannot be increased in the near future sufficiently to meet increased demands for replacements and extensions. It is necessary, therefore, that some machinery should be provided for checking the upward pressure on prices and also for ensuring distribution in accordance with priorities based on national importance.' *'Commerce' 29th Agust, 1946.*

Sugar Industry.

The sugar industry in India is now one of the largest industries and has rapidly developed since the grant of tariff protection to it in April, 1932. There were 32 factories in 1932 and the number increased to 143 in 1939. The total production of sugar in India including khandsari and sugar made from gur has also increased from about 4,70,000 tons in 1932 to 10,72,000 tons in 1938 but the production was the highest in the year 1937—12,30,000 tons. The total estimated consumption of sugar in the country is about 11½ lac tons. The industry is now fully able to produce the sugar required for the countrys' annual consumption.

The prosperity of the sugar industry is immediately bound up with the welfare of the rural population in this country and particularly in U. P. and Bihar, where it is concentrated. Between them these provinces produce about 82% of the total production of sugar. The production of Indian states amounts to about 8% Bombay 4% and Madras 2%. The consumption of sugar in the various parts of the country is not evenly distributed. The per capita consumption of almost all provinces being lower than the average for all India except Bombay and the Punjab, where the per capita consumption is about 15 and 14 pounds respectively. It is also much lower when compared with other countries of the world. It is about 100 pounds in U. K., 94 pounds in U. S. A., 55 pounds in France. There is thus little doubt that there is a considerable scope for increase in the consumption of sugar. In addition to sugar the country produces and cousumes a large quantity of gur per annum. The per capita consumption of gur is about 26 lbs. and the total production was 41 lac tons in 1936. About 50% of this is produced in the U.P. The total production is consumed internally during the year.

An interesting feature of the industry is that it is a seasonal industry. The cane factories work for about four to five months a year between the months of November and April. In Mysore the factories work for a period of 9 months. Another feature is that unlike Java, where factories cultivate cane on their own lands or lands under their

control, the cane cultivated in India is almost entirely outside the control of factories which purchase their cane from ryots having small holdings of land and are therefore not in a position to arrange for harvesting when cane has reached maturity and is in the optimum condition. This is a serious handicap all over India, except in the Bombay Presidency where factories grow their own cane. With adequate research and cooperation with the cultivation this handicap should be minimised as the ultimate prosperity of the industry depends upon the availability of cheap, disease-free cane, of the requisite quality and of high sucrose contents.

The United Provinces government have enacted legislation for permitting manufacture of power alcohol for compulsory admixture with petrol with a view to utilising the surplus molasses of factories and to enable the development of a new industry. The development of the sugar industry during the last decade forms an important chapter in the progress of industrialisation. Within four years of the grant of protection by the government of India, it attracted a large amount of Indian capital which was supposed to be shy and transformed the country from a large importer of foreign sugar to one of the largest producers in the world. The industry has been subjected to a close regulation by the government. The government of the U. P. and Bihar have been making elaborate rules not only fixing the minimum price at which the sugar factories could buy the raw

materials but also regulating in detail the conditions of its purchase. The association of the state with the day to day working of the industry has greatly increased with the result that it is not possible to put up or extend the existing factory without previous licence from the government and the state also regulated by comprehensive regulation the areas from which a factory map draw its raw meterials, the quantity that it must crush during a particular season, the price it must pay to the cultivator for the raw material, the wages which are to be paid to the labourers and the channel through which its products must be sold. The industry has been successful in creating for itself a common selling organisation with semi-statutory powers to control the sale of all the sugar produced by modern factories in U. P. and Bihar. The Governments have been closely watching and subjecting the industry by passing various rules, and regulations in the interests of the industry, the cane producer and the consumer. They have been closely supervising the distribution and sales of sugar throughout the country. The Indian sugar Syndicate Ltd. which has been working successfully in marketing the production of all sugar factories in an orderly manner by eliminating the internal competition and which comprises in its membership every sugar factory working in U. P. and Bihar, under the provisions of the sugar Control Act, 1938, is an important organisation.

Indian Sugar Syndicate.

Indian sugar prices were the lowest on record in June, 1937, In July, 1937, the Indian sugar Syndicate was formed on a valuntary basis with an initial membership of 92 factories. In 1938, according to the rules made under the U. P. & Bihar Sugar Factories Control Acts, membership of the sndicate became a condition for the grant of licence to any factory in either of these two provinces to crush cane. The factories in U, P. and Bihar representiing 85% of the manufacturing capacity in India became members of the syndicate. Membership of the syndicate is open to all who own and run the factories in India or Burma. The management of the business of the syndicate is vested in the board of directors elected at a general meeting. The number varies from 15 to 30. The directors elect their own chairman. Every member makes a contribution to the syndicate. The syndicate used to control the sales of sugar by fixing quotas and minimum selling prices. Every member enters into a contract with syndicate to sell all the sugar manufactured in his factory so long as he remains the member of the syndicate. The prices to be charged to the syndicate called the basic prices are fixed by a resolution at an extra ordinary general meeting held in October each year. The sugar sold by a member to the syndicate is held in trust for the syndicate by the member until it is sold. The selling price is usually 8 annas per maund, in excess of the basic price. The selling

quotas are fixed from time to time according to the stock position and the capacity of the market. If a member sells in excess of the quota or at a lower price than the selling price fixed by the syndicate he pays a damage to syndicate at -/8/- per maund of sugar sold but the syndicate has no power to prevent a member from withholding his quota from the market or selling at a price much higher than the syndicate selling price. The Indian Sugar Syndicate is purely a manufacturers' Association.

Even the Provincial government had no control over its policy. By an amendment of the Sugar Control Rules, lateron the Government of the U. P. and Bihar have been made the members of the syndicate. By Acts there is government control over the sugar industry. In fact no other industry in normal times has been controlled by the Government. This is necessary in order to have stable and prosperous sugar industry which is indispensable for the well being of the agricultual classes. Moreover, cane is one of the chief crops in U. P. and Bihar and growers ability to make prompt payment of land revenue and other dues depends on his securing adequate prices for cane. In 1934 a sugar cane Act was passed empowering the Provincial Government to fix the minimum price for cane or to make rules in that connection. The sugar Cane Act of 1934 was replaced by the sugar factories control Act 1934 and 1938 with the object of preventing over production of sugar by refusing to sanction the

construction of new factories (i) for regulating the supply of cane and (ii) for enabling the government to fix the minimum prices for cane or making rules regarding the basis of minimum prices and (iii) to authorise the levy of a cess not exceeding 6 pice per maund on the sale of cane for the factories. The act was conforme l in force till 1941. Under the rules licences were granted only to factories who were members of the Indian Sugar Syndicate which undertook to crush not less than 120 times their daily cane crushing capacity. The membership of the syndicate has now been made voluntary and not compulsory by amendment in 1940. The sugar control order was further amended in 1942 and 1943. A sugar control Board had already been appointed and in 1943 this control was extended to all types of sugar including imported sugar. Again, in 1943, sugar and sugar control order was passed bringing all sugar product under control. The order required the producers and dealers to keep in reserve, stocks of sugar or sugar products in such quantities and grades as directed by the controller. During the present year Indian Central Sugar Cane committee has been formed.

This committee will be responsible to make sugarcane research, to advise the Central and Provincial Governments in matters relating to improvement and development of the industry. It will have its Head Quarters at Delhi. It will undertake the improvement and development of growing, marketing and manufacturing sugar

cane and its products. It will deal with the problems of banking and hire purchase facilities. The Government of India will place at the disposal of this committee the entire proceeds of sugar excise funds and if it is insufficient the Government of India will grant a loan free of interest. The committee will be empowered to spend upto 11¾ lakhs in a year. The committee may divide itself into sub-committees to make instructions in all directions.

We should not feel satisfied with the progress and success of the industry which has benefitted all sections in the community. The consumers have been benefitted by the reduction in price. The educated classes have profitted due to additional employment of about 3,000 graduates and technical men and about one lac skilled and unskilled workers. The general public have a good opportunity of investing their capital which now represents an investment of over Rs. 30 crores. Above all an opportunity was furnished to the Indian industrialists for showing their ability and to develop a new industry and run it efficiently provided an encouragement is given by the state. Efforts must be continued to improve its efficiency further by the reduction of the price of cane, by increasing the total tonnage per acre and improving the quality of the cane. The cost of manufacture should be decreased by rationalising the methods of production. The duration of the cane crushing period should be lengthened by the growth of early and late ripening varieties. The bye

products like molasses and baggases should be utilised. It is absolutely essential to decrease the price of sugar with a view to increase the consumption in this country. It is felt that with the improvement in the economic condition of the people and the increase in population the consumption of sugar will increase progressively. Preference should be given to other provinces for developing the industry particularly where suitable conditions exist, for example availability of raw materials, proximity to markets. Some suitable measure for regulating the future development of the industry on an all-India basis should be planned.

Postwar Sugar Panel

An outstanding development of considerable importance to the sugar industry is the report of Sugar Panel appointed by the Government of India. The panel has fixed the target of sugar production at 18. 5 lacs tons in the next five years, as against the present average production of 10. 48 lacs tons. The target is exclusive of export quota which is to be determined later. The gap between the present production and the new target is to be bridged by an expansion of the existing factories, the installation of the new ones, the development of the sugar cane crop and the provision of better facilities to the cane grower. New factories to be located are three each, for Bengal, Bombay, Madras and the Punjab and one factory each for Assam, Bihar, North Western Frontier, Orissa, Sind and the States of Baroda, Hyderabad and Travancore.

The allocation of 25 additional factories to cover a capacity of 25 lakhs tons is to be made at a future date.

There should be a central control over matters relating to location of new factories and shifting of old ones, size of plants, price of sugar and cane, allotment of quotas to regions and factories, distribution of sugar, fixation of carrying over and its distribution amongst factories, conditions of labour, export of sugar and production of special sugar and confectionery including their prices. The machinery for control suggested is an official controller assisted by a representative board of more than seven persons one from industry, two each from consumers and labourers and four from cane growers. The setting up of a central marketing organisation is also recommended for controlling distribution of sugar, membership in the organisation being compulsory for all sugar factories.

Finally the panel holds that the industry should be granted protection during the planning period, that is for a period of five years. The aim in the meantime should be to reduce both excise duty and import duty gradually. The report recommends the utilisation of molasses for manufacturing power alcohol for purpose of admixture with petrol or motor fuel. The Govt. of India has accepted among others two major recommendations of the Post-war sugar Panel committee. These relate to an increase in the target of sugar production and to the establishment of additional

units, and their location. To meet the increased target as against the present nominal production capacity of existing units of 10.84 lac tons, the target for increased production of 18.50 lac tons has been accepted (including 2.50 lacs for export). The export quota to be determined later with regard to the external markets to be stabilised. A bold policy is to be followed by both the expansion of existing factories and the installation of new ones. As regards the latter the Central Govt. has agreed to sanction the installation of 20 new factories as against 17 proposed by the sugar panel. The decision of the government of India is to be welcomed in the interest of the expansion of India's biggest industry. The U. P. Govt. has appointed *Mr. K S Arnold* on special duty to enquire into the present state of the sugar industry in the province and explore the possibilities of technical improvement in its efficiency. *Mr Arnold* is expected to make recommendations about (a) shifting to suitable sites of factories which are badly lacated from the point of view of cane supplies; (b) possibility of extending the crushing season; (c) addition and alteration necessary in existing plants to make them economical units and self sufficient in the matter of fuel and (d) adoption of measures for the proper disposal of factory affluents. In view of the urgent need for increasing sugar production at present the results of the findings of *Mr. Arnold* will be eagerly awaited by the industry.

The Cement Industry.

The Cement industry possesses great natural advantages in this country in respect of raw materials, since lime stone of excellent quality is available in abundance in many parts of the country in close proximity to railway lines. In view of this, many of the factories are located in the vicinity of quarries. The factories are not, however, well situated in regard to sources of supply of power and fuel as also in regard to market.

The industry as a factory industry is of comparatively recent origin. Portland cement was first manufactured in 1904 at a small factory in Madras. The first attempt was not successful, the factory lasted but a few years; and it was not until 1912 that the next attempt was made and it was upon this venture that the foundations of the present industry were made. In that year and the two years following, the Indian Cement Company Ltd., (Porbander Works,) the *Katni* and *Bundi* companies came into existence. During the later part of the war the cement companies were under the control of the Munitions Board and their output was largely purchased by Government. The industry made very rapid progress during the boom period and by 1924 the production of Portland Cement in India had increased to about 2½ lac tons a year which was about twice the quantity imported from abroad. No less than six companies were floated while the three existing works increasd their

production. Most of the new factories were erected within the geographical marketing areas of the existing works and internal competition set up a scramble for business at any price, for delivery over any distance, ignoring entirely the basic economic principle that a cheap bulk building material such as cement, cannot carry heavy distribution or freight charges.

Owing to fierce internal and external competition, industry soon found itself in difficulties. The price-war involved the shareholders in tremendous losses and three of the new companies went into liquidation.

This state of affairs could not go on indefinitely and the year 1925 saw the first step towards cohesion. A petition to the Tariff Board was made by manufacturers, for protection against foreign competition which enjoyed a trade of about a lac tons per annum. They also prayed for a subsidy. The Tariff Board reported in 1925 and favoured a system of bounties for the industry rather than protective duties but their proposals were found unacceptable to the Government of India. In 1926, Government imposed a specific duty of Rs. 9/- per ton on imported cement in place of the *advalorem* tariff of 15%. Soon after three of the Indian companies went into liquidation, the surviving units started thinking of an organisation for themselves and an association known as Indian Cement Manufacturers' Association was formed. The function of this association was to

fix and regulate selling price. Representatives met once a week for this purpose. Each company was a separate entity with its own selling arrangements and each was out to receive as much business as possible. There was no price cutting. The association was also responsible for the next step in cooperation. Its members agreed to a levy of 5 annas per ton on all sales to finance a joint sales service and in 1926 the Concrete Association of India was formed for the purpose of educating the public to the uses of cement and to provide free technical advice and aid to the consumers. In 1930, there was further consolidation and the Cement Marketing Company of India Ltd., was established to take over the control of the sales and distribution of almost all the manufacturing companies in the country. According to an agreement the capacity of each Works was fixed. From the sale point of view it was very successful. With the aid of the Concrete Association and comprehensive publicity programme, sales were increased and during the Marketing Comapny's regime, the average selling price of cement throughout the country was reduced by 25%. The agreement entered into between member compànies had a number of defects. The quota was fixed rigidly but no provision for future expansion was made. In certain circumstances it was open to any company to put an end to the agreement at any time. In the face of these conditions the member companies viewed the future with doubt and efforts

were made to improve their manufacturing position both as regards existing works and prospects for new works sites. *Mr. Dinshaw* mooted the Merger scheme and said, "The object of the merger will not be to attain a monopolistic position. Its primary object will be to make and deliver cement as cheaply as possible so that it may be able to hold its own against any possible internal competition as well as foreign competition. I am suggesting a merger not only as a protection against such competition but as a means of securing complete unison of interests among all those concerned". 1935 saw the establishment of ten companies into the Associated Cement Companies Ltd., in order to achieve a complete fusion of the manufacture and sale of cement. The authorised capital of the company was 8 crores of rupees. The merging company took over in 1936 new and modernised plant, having an annual output of about 11½ lacs tons. By 1936, it became responsible for a million and a quarter tons of cement.

In 1937-38, this company had to face competition from the Dalmia Cement company but it is understood that recently almost all internal competition has been eliminated as a result of the agreement between these groups.

Since the outbreak of the war so far as production is concerned the industry has recorded very great progress. In 1943, the production was 20 lakh tons. The present production is about 25 lakh tons per year. This increase has

been secured by the expansion of plant and equipment, which is or can be fabricated in the workshops of cement factories.

Since 1942 Government have instituted a control over the industry. At present the position is that India is virtually independent of foreign sources of supply of cement. The industry at present is mostly controlled by two companies viz., Associated Cement Companies Ltd., and Dalmia Cement Ltd. The former have fourteen factories and the latter five. Out of the 19 factories 7 are in Indian States and the rest in British India. There is no representative unit so far as the size is concerned.

Recently, in November, 1946, another company has been promoted in Travancore State to manufacture cement. The factory is very advantageously located. The company proposes to manufacture 50,000 tons of cement. The Travancore cement Ltd., bids fair to be one of the best units of the industry in India.

The Paper Industry

The paper industry is one of the many secondary industries which has developed and progressed during the last war. The industry as a factory industry is of comparative recent origin and growth. The first mill in this country was started in the year 1870 but right upto 1921 it made little progress. Since the grant of protection to the industry in 1925, till the outbreak of the

war its progress was considerable. The war, gives the industry great opportunity for expansion owing to the cessation of imports from other countries. In 1939 there were 16 mills with a production of about 70,000 tons employing about 12,500 persons and during 1943-44 the number of mills rose to twenty-two and production to a lac of tons and workers to about 19,000. The authorised capital of the industry rose from Rs. 1,15,00,000 in 1931 to about Rs. 279,00,000 in 1944. The production of the industry has been completely controlled by Government during the war period. Wartime regulations and controls have not affected it adversely from the financial point of view. The largest units in the industry are located in Bengal although the largest number of units from the point of view of production and number employed are in Bombay. The raw material used for the manufacture of paper are sabai grass, bamboo pulp, and cotton rags. The Tariff Board of 1934 stressed the importance of the development of the bamboo pulp industry. The Tariff Board of 1931 recommended a duty of Rs. 45/- per ton to be levied on imported wood pulp in order to encourage its domestic production. Within the next ten years this duty on wood pulp was revealed to be fully justified as the quantity used in the Indian mills increased four times and the quantity of imported pulp fell to half. In 1938, there was another tariff enquiry. On its recommendation taxation was fixed at 11 pice per pound which was 1 pie

less than the duty in 1931. By the same measure the import duty on wood pulp was reduced to Rs. 35/- per ton or 25% *advalorem* whichever was higher. The tariff schedule which should have expired in 1942 has been extended upto March, 1947.

The progress made by the industry during the war has been quite significant. Almost all types of paper are now being manufactured within the country. Over and above newsprint which were mainly imported from Norway, Sweden, Canada and the United Kingdom, on an average of 35,000 tons before the war India depends on overseas supplies for some special types of paper like litho, poster etc., and for large quantity of old newspapers used for packing purposes. While the newsprint production is yet to be started to release the growing number of newspapers from depending upon these supplies from abroad the production of even the now existing varieties of paper should be increased if the wartime stringency is to be lifted. The newspaper control order enforced in 1942 allocated 70% of the total production for Government and Military requirements and the remainder was left to the civilian public. Even though it is expected that the existing stringency will disappear but the demand of all types of paper will increase considerably with the advance of literacy. The growth of industry will also create a good demand for craft paper and boards. There is no inherent difficulty to the growth of the industry. The manufacture of Bamboo pulp can still further be

increased and together with sabai grass, waste paper, rags etc. the problem of raw material can be easily solved. What is needed is a more detailed survey of the possibilities of grass cultivation as a commercial crop. Similarly different varities of soft wood available in the Himalyan regions and Bagassi available with the sugar mills can be used as raw material. Once this is made possible the manufacture of both chemical and mechanical pulps suitable for newsprint will be easy. Although the chemicals used in the industry are imported but the development of chemical industries at home will relieve the industry from depending on overseas supplies. Regarding power most of the paper mills are worked on electric power generated at the factories. The development of hydro-electricity will provide better and cheaper power. The labour employed by the industry does not require a very high order of technical training. The problem of the availability of spare parts and machinery is important. It may be difficult to add to the number of mills immediately on account of the non-availability of machinery from abroad within the next two or three years but it must be made possible for the existing mills to replace and replenish the worn out plants with the available spare parts. The industry should be helped to get the necessary machinery from abroad for this purpose. Another way to help the industry is by adopting a more favourable railway rates policy by extending concessions

in the freights for the movement of raw materials and finished products. Far more important than these is the continuation of protection for further period. Owing to several factors such as the higher prices of raw materials chemical stores, high transport charges, low efficiency etc., it may not be possible for the industry to compete in the initial stages of postwar years with foreign products. There should be a far more liberal grant of protection. On account of the national importance of newsprint manufacture the Government may have to take up the project in case sufficient capital is not forthcoming. A programme of the development of the industry will have to be chalked out so that the different varieties of paper may be manufactured. The new mills should be distributed all over the country and a zonal development should be aimed at.

The Match Industry.

The Match industry in this country is practically controlled by Swedish interests. The Western India Match, Company, and its sister organisations, the Assam Match Co., supply 80 to 85% of India's match requirement. The company has done 90,11,03 lacs worth of business in India in 1945 and the profit made is 50,06 lacs. There has been a complaint that the company was attempting to build up a monopoly interest shutting out the fair chances of indigenous concerns.

The Swedish company had entered the Indian market during the nineties of the last century as

an importer. Indian production was insignificant and was confined to cottage units. Between the years 1900-11 there was a steady increase in the imports of matches the value rising from about 40 lacs to 81 lacs, by 1913-14 the value had risen to 90 lacs. During the war years about 145 lacs gross boxes were annually imported. The bulk of the import during these years was from Sweden, followed by Japan and United Kingdom. In 1922, the Governments of India levied an import duty of Rs. 1/8/- per gross. It had a protective effect on it and it was expected that indigenous production would have a chance of development under this stimulus. The duty reduced imports. In 1924, the swedish company taking advantage of the protective effect of the duty established factories of production in India with Swedish Capital and management. With the vast resources behind them the Swedish concerns could firmly establish a market in India and compete with other indigenous concerns much to the latter's detriment. The trust made efforts to secure a dominating position in India partly by eliminating the smaller India concerns by means of un fair competition and partly by making arrangements with larger Indian factories. Having acquired that control, it is alleged, that the trust will raise prices in India, thereby exploiting the country for the benefit of foreigners. The tariff Board in 1928 recommended the conversion of the existing revenue duty into a pratective duty. The tariff board expressed the opinion that there was nothing in the

activities of the company which called for Government intervention at that time but the board warned that in the event of the company using its financial resources made an attempt to extend the share of Indian market by means of unfair competition to the detriment of the Indian manufacturer the government should take such steps as might be necessary to safeguard the Indian industry. Another landmark in the history of the industry was the levying of an excise duty, from one rupee per gross to Rs. 2/- in 1934 and the doubling of it along with a corresponding increase in the import duty in 1941. The output of the industry recently has been more than 21 million gross boxes.

Having seen the historical background of the industry we may discuss the future of the industry. The foreign match companies have established a dominating position in the country is clear. The monopolistic interests of the foreigners are too strong to allow the growth of other local concerns In the interest of the country, either the industry should be nationalised or there should be sufficient control by the government over the industry to safeguard the national interests both of producers as well as of consumers. The publicity of the working of the industry should be legally secured. Governments should have power to get full details of the costs of production and to appoint auditors for the purpose. Secondly, the price of fixing prices should rest with the government. Thirdly,

the list of shareholders together with their holding should be made to be published by the firms so as to ensure that over a short period of time the majority of shares would be in Indian hands. All secret deals and agreements with the foreign firms should be declared unlawful and extent of industry's foreign connection should be clearly stated. Something has to be done about their cartels and without any delay.

Coal Industries.

Coal is the most important fuel for industrial purposes. The annual production of coal in India is about 30 million tons and India is second only to the United Kingdom as producer in the British Empire. About 82% is produced by Behar and Bengal. Jheria coal fields in Behar supply the best quality of coal. It is also produced in the Central provinces, Eastern States and Hyderabad State with smaller amounts from Assam, Baluchistan, Central India, Orissa, the Punjab and Rajputana. Before the war our total exports amounted to over two million tons annually. It seems doubtful whether it is desirable to export coal in such large quantities when the demand of the Indian industry, which is growing, has to be met. It is felt that all stocks of coal should be conserved for industrial needs for the manufacture of heavy chemicals and dye stuff generally for the progress of heavy industries. Coal is the most important fuel both for domestic and industrial purposes and is besides the basic raw material on

which a number of other industries depend. Many of our basic industries have yet to be organised and developed in order to meet our needs fully. Coal is the food that maintains industrial lives. When such full development comes about, there will undoubted be heavy strain on our coal resources. The Indian Iron industry will require coal in large quantities. It is deplorable that the methods followed in the production of coal are unscientific and primitive and there has been an absence of research. There has been a wastage and valuable products of coal have been lost. It is, therefore, highly desirable that the coal resources of the country should be carefully conserved through foresight, careful planning and economic methods of utilisation and conservation.

Mr. K. C ahindra, Chairman of the Indian Coalfields Committee, in his broadcast talk on coal in the National Economy, placed before his listeners the problems of the coal industry. After emphasising the importance of coal as a national asset he said that the country can absorb about thirty million tons of coal per annum but supplies are short by about 4 millions. It means the industrial development of the country should depend upon the extent of production of coal. According to him the real trouble was shortage of metallurgical coal. It is, therefore, important to think of the basis for stabilising the coal industry, The first task before the country would be to analyse the country's requirements and supply by a detailed chemical and physical survey of coal

deposits. The next step will be the complete regulation of the uses of metallurgical coal and other good coals. The consumers and railways should be advised to use other than the best coal. The third step would be to produce enough coal on the basis of sound planning. The rights of ownership should be acquired by the government and the cost of it should not exceed 6½ Crores. The other problems which will have to be tackled relate to labour, mechanisation, avoidance of waste in mining, prices, and transport, etc. In order to carry out the plan of stabilising the industry the vital need is centralisation and co-ordination. The establishment of a central department of fuel and power under a minister with cabinet rank dealing with coal and other sources of power is suggested.

The sub-committee on fuel and power appointed by the National Planning Committee recommends state control over the industry and electrification of railways in India as far as possible to achieve greater efficiency and for conserving the very limited coal resources. It appeals to the Government to stop the misuse of coking fuel. India is deficient in respect of such coal which is necessary for metallurgical purposes. At the present rate of consumption the entire known resources of coking coal will be depleted in about sixty years. It urges that the coal saved, should be reserved for blending. Stress is also laid on the need for recovering the bye

products of coal produced in the manufacture of soft coke namely tar and gas.

The present method of mining, handling and utilisation of coal in India is also critical. It says that some of the practices of Indian collieries, in the absence of any substantial control on mining, handling and utilisation, cause very serious losses to a valuable national property and recommends that every step should be taken to ensure economic stability to the industry. State control is necessary for preventing the waste. At a time when the country is on the threshold of rapid industrialisation the need for conserving the scanty resources of metallurgical coal is very urgent. The commiite further says that the soft coke industry should be so organised as to make it obligatory for the maker to recover the crude tar under state control. A definite policy should be followed with regard to production, distribution and utilisation of the fuel.

Mr. C. H. Bhabha, Minister for Works, Mines and Power in the Interim Government, laying the foundation stone of the Fuel Research Institute, the second in the chain of India's national Laboratories at Digwadib, near Dhanbad emphasised the imperative need for immediate action in order to rationalize the production and consumption of coal and to conserve supplies. He said, 'I think it should be of necessity provided that the use of the best mines of coal should be avoided as far as possible. The Government themselves are also the biggest consumers of coal, metallurgical coke

particulary, in the need of their railways. Their consumption of coal has been all these days as wasteful as of that of others and they should set an example of efficient utilisation by electrifying the track at least in the vicinity of coalfields'. He urged the necessity of giving increasing attention in national planning to hydro-electricity increased use of which in industry retrieve our position as regards good quality coal and avert a serious shortage. On the question of nationalisation of the industry and of the incorporation of a national coal commission to take over the ownership and administration of the railway collieries and to discharge various executive functions of public control over the industry. He pointed out, 'Nationalisation of such an important industry as coal cannot be brought about overnight despite its acknowledged necessity and advantages. The industry has numerous ramifications which must be taken into account in determining the planning that we have to embark on in the interests of national welfare. I am sure the problem of coal will soon engage the earnest attention of the National government and the various suggestions put forth in the interests of the industry and in the interests of national welfare will receive all the consideration they deserve. He expressed the opinion that the creation of conditions that would ensure promotion of individual enterprise was as important as bringing the industry under state ownership and state control in the interests

of the industry as a whole. Besides numerous other problems like labour, mechanisation, avoidance of waste in mining, prices, transport, etc. would require the urgent attention and their solution would have to be fitted into the final plan. With regard to technical research he said, 'In this task of ours scientific and technical research has a great role to play. I hope the Fuel Research Institute of India, as a central organisation for research on fuels will lastingly serve this and the succeeding generation'. Any planning in his opinion, should strike a balance between central authority and pioneering endeavour, adjusting the two so that the first supports and stabilises the second and the second vitalises the first.

The Glass Industry.

The modern Indian glass industry is only fifty years old, and it did not make much progress until 1914. The first world war proved a blessing. The imports from foreign countries stopped and the Indian Munitions Board encourged the formation of new factories. There were only 3 factories before the war but in 1918 the number of factories rose to twenty. The production increased to Rs. 50 lacs a year. After the war foreign competition again revived and the industry had to pass through a very bad time due to the dumping of cheap glass articles from Zchecoslovakia and Japan. But the glass industry managed to pass through the period of depression, when they had to sell the goods at very low prices. They, therefore, approched

the Government of India for protection but the recommendation of the Tariff Board was turned down and the industry had to rot. World War II again gave the industry a great fillip. Military requirements for glass goods increased both in quantity and range and the Indian Glass industry was called upon to meet these requirements. New factories were established and there are at present 150 factories employing a capital of 4 crores and producing glass-ware of different classes valued at more than $2\frac{1}{2}$ crores. The production falls under the following heads ; (i) Bangles (ii) Hollow ware, including lamp ware and table ware (iii) Bottle ware (iv) Sheet ware (v) Pressed ware and fancy goods and (vi) Other varieties including Scientific glass ware, rods, test tubes etc. The production of glass sheet only, has increased to 55 thousand tons.

With the end of the war the former foreign competition is likely to appear in the Indian market. It is, therefore, very important for the industry and the government to study carefully the present position and make plans for the future so that the interests of the industry may be safeguarded. The industry can be expanded a good deal. The post war target for the production is (i) For sheet glass 42 million square feet against the present capacity of twenty million square feet and (ii) For glass shells twenty five million pieces against the present fourteen million pieces. The scope for increasing the production of optical glass and

scientific instruments is unlimited. Before the expansion can be undertaken the industry must adopt rationalisation and other reforms. At present the factories produce poor and low grade products, because (i) There is no person with a thorough technical and practical knowledge of glass making (ii) Furnaces are of old design and improperly constructed (iii) Combustion and firing equipment is inadequate and (iv) No satisfactory annealing arrangements are available which result in hard and brittle products. In short, adequate attention has not been paid to improve the quality. It is difficult to say that the glass industry in India is operating with modern furnaces and equipment or that they are producing first class articles as compared with foreign goods. Most of the factories are not in a position to produce on a large scale which is equally necessary for the industry to make any headway. The development of the industry needs modern equipment and skilled technicians to improve the quality of the products and to bring them to the standard of imported glass articles. There is, therefore, an urgent need to remove the inherent weaknesses in the structure of the industry. The internal organisation should be on sound lines and technical standards and developments should be improved. *Mr D. N. Sen*, President of the Bengal Glass Manufacturers' Association, presiding over the annual general meeting of the Association, emphasised that the glass industry requires for its developments a sound

knowledge of engineering including furnace design, physics, and chemistry; and the development of glass is very largely the result of the application of scientific methods to industrial production. The establishment of the Central Glass and Ceramic Research Institute at Calcutta should go a long way to improve the present position. It is proposed to do very useful work at the institute such as testing, grading and standardisation of raw materials and finished goods, survey and identification of raw materials, improvement of existing operations regarding furnaces, annealing, composition of batches, collection and discrimination of information, etc. The institute will help the growth and efficiency of the glass industry and it may be expected that if a close contact is maintained between the research institute and the industry, better technique and methods of manufacture will be evolved and introduced. Equally important is the fact that steps should be taken at an early date to supplement the training facilities now available. There must be a definite system of training both practical and technical for all those engaged in the industry from the lowest employee to the highest executive.

Apart from the improvements of the method and technique of manufacture there is an urgent need for the improvement of marketing arrangements of the glass industry. According to *Mr. D N. Sen,* the wasteful internal competition has been a bane with the glass industry. He urged

that the question of an efficient marketing system must be given a high priority as it will go a long way towards the progress and the development of the industry. He has suggested that an organisation should be established on a provincial basis which at a later stage can be co-ordinated with similar other provincial organisations at the centre on an all India level. It is reported that the industry is already engaged on a scheme along these lines.

The question of affording sufficient protection to the industry to face foreign competition cannot be cast aside. The industry is established to a large extent. It does not need any spoon-feeding and no extraordinary measure of protection. What is wanted is protection to the extent that it may be able to face the unfair competition from highly industrialised countries. *Mr. D. N. Sen* pointed out that one of the methods by which the Government could help the industry to consolidate itself was to give unequivocal assurance that the industry would be given all reasonable protection against foreign competition. Such measures will help the industry to be established on a solid foundation, and they will enable it to hold its own against post war competition.

Heavy Chemicals.

The chemical industry has been divided into two main parts. One of them is Heavy Chemicals under which fall two most important groups:—

(a) Sulphuric acid and the chemicals based upon it and (b) the Alkali industry i. e., the various forms of soda and compound based upon them. The other part of the industry is Fine Chemicals which are used on a small scale and of which 4000 products are known. Though both the groups of chemicals are of vital importance both in war and peace, Heavy Chemicals are of more importance as they are produced on a very large scale and in highly organised undertakings. The Fine Chemicals are a small scale industry which, has not been fully developed.

The most important of the heavy chemicals are sulphuric acid, Caustic soda, Bleaching powder, Soda Ash, Alum, Potassium chlorate, Sodium sulphuride and Bichromates. The production is not sufficient to meet the requirements of the industries using them. The excess of consumption over production is made by imports from abroad. Wide possibilities lie before the promoters of this industry in the post-war period. To prevent imports, production can be speeded up by establishing new concerns and in many cases by substituting new methods for old. The growth of the industry is recent. The heavy demand created by the war and by the stoppage of foreign imports had to be met by establishment of new concerns. In 1929 there were 12 factories in the country; and they increased to 34 in 1939 and 88 in 1943. The *Tata* Chemicals at Mithapur, the Bombay Gas Works, the Imperial Chemical Industries and *Tata* Oil

Mills went up by leaps and bounds. Also a number of concerns in areas like the Bombay suburbs sprang up in war time, to meet the great demand for chemicals. The development of the industries in some of the Indian States like Mysore and Baroda has also been considerable.

Heavy chemicals are essential for modern economic system. Neither capital equipment nor any consumers goods can be produced on large scale without a cheap and abundant local supply of heavy chemicals. They are essential raw materials for munition manufacture and other industries such as textiles, rayon, fertilisers, glass, leather, and paper etc., Dependence on foreign sources is a weakness not only from the point of defence and military strength but proves to be a serious handicap even in the production of consumers goods. Their supply and price, therefore, greatly influence the development of other industries.

This industry is practically non-existent in this country. The total capital investment in the country is only Rs. 5/- crore (pre-war value). The development of this industry in view of its importance to the industrial development of the country as a whole can not be over emphasized. With a view to plan the development the Government of India in the planning department appointed an industrial panel to survey the industry and to make recommendations as to targets and the means by which they could be realised. The panel experienced great difficulty in fixing the target, which

would depend upon the targets of other industries and the Government policy in many fields of its activity. The panel fixed targets for both techniques with regard to the new technique. There are two limitations. (i) the difficulty in producing or procuring new equipment (ii) the comparatively small production of hydro-electrical power at comparatively high cost of production. The whole future of the electro-chemical industry depends upon hydro-electric development. The panel had before it Government projects but the time and quantum of power generated still remain uncertain factors. Another point which will have to be borne in mind is that we will have to guard against the dumping of old machinery by foreign vested interest. This would seriously affect our costs, for not only the machinery is old but also the processes are becoming obsolete. It would greatly reduce our competing power and arrest development along the new lines.

The *panel* have done well in face of these difficulties. They have fixed the targets of the following chemicals :—

Sulphuric Acid (152,600 tons), Sulphate of Ammonia (38000 tons), Magenesium Sulphate (not determined), Iron Sulphate (not determined), Copper Sulphate (2000 tons), Sodium Sulphate (500 tons), Sodium Hydrosulphate (3000 tons), Soda Ash (270000 tons), Caustic Soda (133000 tons), Hydrochloric Acid (no targets), Zinc Chloride (no targets), Magenesium Chloride (7000 tons), Calcium chloride (3000 tons),

Barium chloride (1500 tons), Nitric acid (4000 tons), Potassium Nitrate (—), Ammonia (15000 tons), Urea (10000 tons), Calcium Carbide (7500 tons).

For fuller discussion refer to the Eastern Economist August, 9, 1946.

The Chemical industry submitted its claim to the Tarrif Board costituted by the Government of India and formed for the transition period to expedite the work in the interest of those industries, which came into existence during the war. The board submitted the reports on the following (i) Calcium Chloride (ii) Photo Chemicals (iii) Bichromates (iv) Phosphates and (v) Phosphoric acid. The Government has decided on the reports of five chemical industries.

In regard to Calcium chloride, the Tarrif Board recommended that, beginning from 1947 a specific protective duty of Rs. 3/4/- per Cwt. should be levied on imports from the U. K. for a period of three years. After an examination of the Board's recommendations, the Government of India has found that it has not been conclusively established that the foregoing duty is necessary for three years as recommended by the Board, and has decided to prescribe a duty at the rate suggested by the Board for a period of one year only, in the first instance. Accordingly, existing standard rate of 36 per cent *advalorem*, the preferential rates of 24 per cent on manufactures of the U. K. or of a British colony, and 12 per cent on imports from Burma will be replaced by specific duties of Rs. 4-14 per cwt.,

Rs. 3-4 per cwt., and Rs. 1-10 per cwt., respectively. It is noteworthy that continuance of protection will be dependent upon the applicant—the Pioneer Magnesia Works—converting itself into a public limited company.

As regards the Photo-Chemicals industry, the Board recommended that, for a period of three years, a specific protective duty of Rs. 5/- per cwt. should be levied on all imports of Sodium-thio-sulphate from the U. K. and that the present revenue duties of 24 per cent *advalorem* on imports from other countries should be converted into specific duties at the same rates, and should remain in force for three years. These recommendations have been accepted by the Government, which has decided to replace the existing standard duty on sodium-thio-sulphate by a specific duty of Rs. 7-8- per cent, and the preferential revenue duties on imports from the U. K. and Burma by specific protective duties of Rs. 5 per cwt. and Rs. 2-8 per cwt. respectively. It is significant that both the Board and the Government have laid emphasis on the necessity of carrying out photographic tests. The Government has further expressed its desire to satisfy itself that the quality of the indigenous products is maintained on par with the imported products from the U. K. and the U. S. A.

After considering the claim of the bichromates industry to protection, the Tariff Board recommended that the present revenue duty of 30 per cent. *advalorem* should be immediately converted into

a protective duty, leviable until March, 1949. The Government, however, has decided to replace the present duty of 30 per cent on sodium bi-chromates, Potessium—Bi-chromates and all chrome compounds by a protective duty at the same rate for one year in the first instance after which it wants to review the position by re-investigating the costs of a firm which has actually produced 600 tons in a year—the output of an "economic unit" prescribed by the Board. This decision of the Government has been viewed with alarm by the bichromates industry. The All India Bichromate Manufacturers' Association, Bombay, for instance, has sent an urgent communication to the Commerce Department, emphasising that the protective duty of 30 per cent affords no protection at all, as in its opinion, the decision of the Government is based "on erroneous figures assumed by the Tariff Board". The Association has, therefore, urged postponement of statutory enforcement of the Board's recommendations until the end of the financial year 1946-47 thereby permitting it to explain the actual position.

Finally, the Government has accepted the recommendation of the Board to levy a protective duty of Rs. 23 per cwt. on imports of phosphoric acid and Rs. 11 per cwt. on sodium phosphates. It has rejected the recommendation of the Board to levy a duty of Rs. 34 per cwt. on acid calcium phosphate. The claim of the butter colour and aerated water powder colour industry for protection also has been rejected by the Board. (*Commerce January 4. 1947.*)

LECTURE II

MANAGINIG AGENCY SYSTEM.

Origin. The significant role played by the Managing Agents in this country has been marked in almost every industry. The origin of this system is the result of the gradual evolution. There were two movements in the country which considered the possibility of starting the industry—one on the Western side and the other on the eastern side. On the Eastern side the foreigners and specially the Britishers who came out to India as representatives of some trading companies took up the question of starting the industries, while in the west and specially at Bombay and Ahmedabad the Indian merchants assisted by the agents of the British manufacturers considered the possibility of establishing the cotton industries. We will discuss both these movements separately. The Britishers found the country with vast undeveloped resources and a large consuming population and a plentiful labour supply. They found, however, that the country was lacking in industrial leadership and consequently there was no body to arrange for the necessary financial capital. They had the whole field clear to themselves. Their experience in general merchandise was capable of being utilised in the organisation and advancement of industrial research. They were keen businessmen and not technical experts. They had made huge profits

and were prepared to take risks. All that was needed was to get experts well versed in the technique of each industry and they managed to get such experts from home. In this way a few industries were started and each line of business opened the way for another, for example, the Managing Agents of jute Mills started colliery concerns and floated transportation companies. The market for products of one line was found in another. They had a market controlled by themselves. One line of activity led to another. This is why in India, Managing agency firms have neither specialised in one or two industries; nor a vertical form of organisation has developed. They had developed quite a miscellaneous range of enterprise and there are very few specialised Managing Agents.

How they organised.

For the purpose of promoting different concerns in which they were interested the pioneers formed themselves into partnership and more recently the tendency has been to form private limited liability companies. They were usually servants of the corresponding firms in England or in some cases they succeeded in getting firms in England interested in their representatives. In both the cases the capital was invested by firms in England and they were able to exercise control. Their representatives on the spot were taken as partners and, therefore, they became agents. The agency firms comprising several partners were the real owners, some of whom by turns came to

India, while the others attended to the firm's affairs in London. It is important to note that in India when the system was evolving itself, there was hardly any investing class and Managing Agents had to put in large amounts of capital mostly in partnership. Thus the business was carried on. Often they had to nurse the industry through many years of loss for it was only after a concern has become gradually successful that there was any hope of attracting the investors from outside. After the concerns were established and shown to be working profitably it was possible to attract investors and thus build up an investing public. Till that time they could not come into the open market for capital. When this stage was reached and major elements of risks seem to have been eleminated it was possible for a business to be turned into a puolic company. The Managing Agents got the bulk of the capital back, by selling a large portion of their interests and thus having obtained their capital were ready to enter into fresh enterprises. In parting with their interests, however, they were careful to retain power and control either by securing a long fixed tenure of management or by including in the Articles of Association terms and assurance of their permanence and rendering it extremely difficult for any one to turn them out. It is important to remember that this security of tenure which is considered highly objectionable at present was an important feature of the system. The Managing Agents

wanted it as they did not wish the industries which have been established after a good deal of hard work to be ruined by others who had not much experience. The shareholders also insisted upon the Managing Agents to agree to a long term of management because it was a necessary condition of public confidence in new enterprises. In this way the Managing Agents took up management and administration of industrial enterprise. This enabled the flow of British capital in Indian industries because the control was vested in British hands. But for the managing agency system the industrial development in India would have been slower. Thus both the countries gained because managing agency system offered opportunities for British capital and British enterprise to function in this country. The lack of indigeneous capital and Indian industrial leadership gave the British merchants their opportunity. Once the system came into existence its very success led to its growth and development. So in Bengal the financial facilities placed at the country's disposal by British managing agents were primarily responsible for the rapid growth of the jute, tea, coal mining and transport enterprises.

Indian managing Agency system :—

On the Western side of India and specially in the cotton industry of Bombay, Indian enterprise from the very beginning had a greater share. Here the persons who set up the industry were cotton merchants who

had made fortunes in the cotton trade during the American Civil War. The wealth thus acquired formed the basis for the promotion of cotton companies in Bombay City. These merchants who were mostly Parsis and Bhatias undertook the pioneering and promoting of the industry. The money required for the cotton mills was subscribed by the promoters and their friends, and those who had large financial interests in the concerns. became the managing agents. Thus the whole task of pioneering, promoting, financing and managing the mills fell on the shoulders of a few merchants. If any additional capital was wanted it was obtained from outsiders. But control remained in their own hands. Thus a device of organisation was evolved which was Joint. stock in form but was in reality largely proprietory in character. In the Joint Stock company's origin ample resources could be obtained but the management was in the hands of the managing agents, who retained a considerable share in the firms they promoted. They took a few rich capitalists as share holders with a view to get the increasing capital. In the early stages of its evolution it fitted the country admirably, and there was no alternative to it. The investors who had any money to invest were willing to put their money in any enterprise which was backed by a reputable firm of agents. It was the name of the managing agent which was found essential for the successful floatation. The public had confidence in the promoters if they were good firms of managing agents. Even today the same condition exists to a large extent although the

investors are given both opportunities for knowing and studying the financial position of the concern.

The relation between the managing agents and the concerns floated by them is very important They are able to secure for themselves an effective control of business by means of agreements. An agreement is entered into between the company and the managing agents; that is to say it is an agreement with themselves, because they are the leading shareholders of the concerns. The draft of the agreement is settled by the Board of Directors, and in the Board of Directors either they themselves represent or their friends. There are other methods also by which they are able to ensure of the soundness of the industrial companies they manage. They hold the majority of the shares and they might be held in various names, for example, in the name of the managing agency firm, in the name of the individuals who compose the agency firm, in the name of the relatives and in the name of their friends. This is done to maintain their agency rights by commanding the majority of votes. The second method is by means of written agreement. The agreement not only confers the rights of management on the agents but ensures compensation to the latter in case of winding up. The third method of securing control is through the managing agents' position as the chief creditor of the concern. The industrial companies are supplied necessary finances by them, or, if the debentures have been issued, they are the biggest debenture

holders, and thus they control effectively those companies and lastly the other shareholders are distributed over long distances and cannot come together and operate against the agents and even those shareholders are not able to do anything as they fully realise the fact that any interference by them may result in a change in the managing agents, and, therefore. they are not keen to throw out the existing agents. On account of this control the powers enjoyed by the agents are enormous, and their freedom to pursue any policy they like remains unaffected. It is difficult to find a parallel to such a control and power excepting the freedom secured by some of the strong presidents of the American Boards of Directors. Under normal circumstances the freedom to pursue a definite policy by excessive interference has resulted in the inefficiency of the Managing Agency system and industrial management.

Further, the managing agency system has a great influence on the structure of industrial organisation. Modern industries have known a variety of types of industrial organisation and combinations brought about by methods of developments. There are Horizontal, Vertical and Circular combainations In some cases there has been a desire to secure increased economy in production and distribution. In others the motive is to eliminate waste, while still in others to have security with regard to obtaining the supply of raw materials and semi-finished products, i. e., to obtain self-sufficiency and avoid

being dependent on the vicissitudes of markets. The aim of the horizontal combination has been to achieve objects of rationalisation of industry, while the vertical combinations aim at self-sufficiency. The Circular combinations are for increasing the profit - making possibilities of the members. While there have been developments abroad resulting in the formation of cartels, syndicates, combines, trusts, holding companies etc, Indian industry has offered a form of organisation unique in some respects. We have already seen the origin and the method of control by the managing agents. To manage and control at first an undertaking and subsequently float a number of enterprises in different industries. So they might be said working partly on the lines of horizontal combination and partly on vertical combination. But clearly it is neither a case of horizontal combination nor a vertical combination. In combinations the companies have to lose their independence and in some ways even their existence. In the case of companies managed by the managing agents each company has a separate existence although there is coordination in control by the central office. We will now see how that coordination and control works to the advantage of different concerns. Indian industries are integrated in their administration and financial aspects in the form of managing agents. The Central office has control over a number of companies, for example, Tea companies, Jute companies, Collieries, and Textile Mills etc. For the efficient management of these various concerns the firm

has separate departments organised on the lines of each industry, for example a Tea department, a Jute department, Coal department Shipping department and Insurance department. This ensures the special attention of the various departments towards the various companies. Then there are purchasing departments, sales departments accounts departments adveritising departments which are common for all the companies and they are in a position to render the best of the services of a highly qualified administrative supervision and staff to the various concerns, who could not separately afford to appoint them. For example managing agents with their purchase and sale organisations are able both to buy and sell to the best advantage of the company. An organisation of buying in bulk is in constant touch with the market and possesses an intimate knowledge of markets. Similarly a sales organisation is in a better position to sell. They are thus in a stronger position both to buy and to sell to the best advantage and can do so at the best possible terms. In the same way in respect of supervisory and administrative control this integrated system of managements has led to highly satisfactory results in tea, jute, mining and several other industries. This has led to economical working of the various concerns controlled and managed by the managing agents. Then there are financial advantages. In the first place the individual concern with the financial assistance of the agents is better able to withstand depression or overcome the initial

financial difficulty. The economy of large-scale financial administration is secured. Secondly, smaller industrial companies are at no disadvantage as compared to larger ones both in the matter of permanent capital or in getting working capital because they are backed by the credit of the Managing Agents. The smaller concerns get the same facilities as the larger units. In other words, the Managing Agency system offers certain features at their best without any financial combination without losing or without making the concerns lose their independence legal as well as functional. The units are enabled to realise some of the economies of large-scale organisation. This system also offers the economies of vertical expansion. The products of one industry find a market or an outlet in the business of the other. In fact this was the reason of the development of the various industries related to each other in this manner. There is self-sufficiency. Their market is reliable, and it is in fact controlled by their own managing agents. The managing agents try to secure uniformity in dividends or uniform results and ensure to the shareholders of the mills under their management the same rates of dividends within the limits with differences in location and factory condition etc. would permit. This tendency to treat all the mills under their control as one unit and show similar results is natural. This is very common in jute and tea companies. Even if there are any differences in the rates of dividends

declared by the different companies within the industrial group, the difference can be explained. Inspite of the administrative coordination secured under the managing agency system there are differences in location, natural conditions and other factors between one unit and the other unit. Some factoriés may be situated at great distance from each other or there may be difference of size in the unit and the efficiency of the land in the labour costs. The managing agents, however, aim as far as possible to achieve similar results and to bring about a uniform level of costs and profits whenever possible The managing agency system may not have been able to eliminate competition in any industry but it has been able to eliminate competition between the units under the same management and administration. Efforts without any intention or desire have been made to achieve the aims of rationalisation owing to common management. Indian industry has not as yet given rise to combination of monopolistic type.

Disadvantages and abuses of the system.

It is not to be understood that there is no dark side of the picture of the system. The floatation of the industries was sometimes attended with waste. There were cases of ill-conceived and even fraudulent promotion. There have been winding up of companies within a year of their starting by the unscrupulous promoters who organised themselves into so called managing agents with a

view to defraud the investors, e. g., in 1920-21 some cases of mill re-organisation occurred where the promoters made enormous profits at the expense of the investors. This is revealed by the Bombay Stock Exchange Enquiry Committee. The managing agents have been held responsible for wasteful promotion and reorganisation. Further, in recent years they have been unwilling to pioneer and take risk in new industries and industrial enterprises where the profits may neither be large nor certain. The point is that in a country where the people look for industrial leadership to the managing agents any conservatism and narrow-mindedness in them may have serious effect on the economic development of the country. It has been seen that they have not been so adventurous and, on the other hand, there has been a tendency to be content to earn from old investments rather than embark on new and uncertain ventures.

Very recently, however, some of the more patriotic Managing Agents have thought of starting certain industries partly because the war gave an opportunity of establishing a business to advantage or partly they considered economic development of the country as their duty, and they could afford to risk the money made during the war. In such ventures, however, the fact that they have not been encouraged or given the necessary facilities by the Government cannot be overlooked. The fact remains, however, that they have very seldom considered the problem of

establishing new industries ; howsoever, successful the Managing agency system of promotion might have been in the past it cannot be concluded that they will continue to be so in the future. The past was the golden age of industrial development, the way was very smooth and men of ordinary ability and initiative were able to pioneer. The task is less easy now. Greater obstacles have to be encountered and it is doubtful whether the Managing Agents will be able to justify their permanent existence. In fact, this is an important social problem because the country is largely dependent.

Again there has not been much cooperation among the Managing Agents in floating concerns which may be risky or too large. They should cooperate in establishing those industries which require large amount of capital but are necessary at the same time in the interests of the country. It has also been seen that they have been working on parallel lines and any attempt to rationalise industry on national basis has been unsuccessful. Another important disadvantage of the system has been the conflict of interests between Managing Agents and shareholders. The managing agency system implies power for good and for evil. The system cannot be considered a perfect one. The conflict of interest between the shareholders and Managing Agents is a natural one. It does not mean that the shareholders are right and that they are victims of bad managemet. The fact is that the shareholders are likely to take a short sighted

view in getting their dividends only while those who administer businesses are not only concerned with dividends but also with the permanent prosperity of the concern. They are anxious to build up a reserve which would ensure the concern to survive periods of depression and difficulties. However, the Managing Agents have been found guilty of manipulating their holdings according to the times of prosperity or adversity because they posses knowledge of the working of the concerns. When they sell their shares they are not working in the interest of shareholders. They are able to sell them with the assistance of their confidential brokers. This has undermined the confidence of the investors in the managing agency system. Secondly, there has been a divergence of interest, because the Managing Agents regard the earnings from shares as of secondry importance and their earning in other capacities and fields of activities as of greater importance. Their remunerations from other sources i. e., office allowances and commissions on sales, output or production, purchases etc., are quite heavy. They receive large amounts even if there are no dividends. The shareholders are, therefore, put to great loss and the Managing Agents are able to make their position profitable. If the Managing Agents do not receive dividends on their own shares they do not consider the thing so important as the remuneration and profits from a number of above quoted related side acitivities.

Further, under the managing agency system industry tends to be dominated by financial rather than industrial consideration. The Managing Agents supply necessary finance but they do not possess necessary technical knowledge to carry on the industry. If a company gets into difficulty the Managing Agents believe that the difficulties are due to less finances and they will seek the assistance of a firm that is financially stronger than a firm technically better qualified to carry on the business. In some cases there has also been undercapitalisation because some of the Managing Agents whose resources are limited are anxious to retain their control of the mills or business and have not the necessary capital to increase their holdings. Mills, therefore, suffer from undercapitalisation. Further, any weakness in the financial position of the Managing Agents, quite apart from the position of any particular company which they control, leads to speculative activity on the part of those who wish to get control of the company by acquisition of the majority of shares. Such a weakness of the Managing Agents reacts on the position of the companies which they control though they themselves be quite sound.

These are to some extent the inherent defects of the system. There are also serious abuses to which the system lends itself. The managing agents with a system of central administration and a common purchasing and sales organisation have been found making large profits. This is true of

those who work unscrupulously. Various devices are used for this purpose. Fictitious companies are created and they act as purchasing and selling agents on commission basis and they appropriate the profits; sometimes they act as guarantee brokers or agents for the sale of mill products. They themselves may not be contracting with themselves, because the law does not permit this, but they have got their friends and relations and they are in a position to enter into agreements with them. Sometimes they start insurance companies or have the agencies of the insurance companies and the insurance of the business under their control is effected with them. Further, they have weightage in the Board of Directors. Tha managing agents appoint nominees as directors, and shareholders are not in a position to disturb the arrangements according to the Articles of Association of the companies. The managing agents, therefore, are able to retain their control. Finally, there has been the practice whereby managing agencies have been made family concerns. Even under the present law the life of the managing agency cannot be more than 20 years, but it can be extended and the managing agents with their control, having a majority of shares are in a position to renew the period of managing agency. This in many instances leads to inefficient working of the business under their control. These are the abuses and defects of the system to which it has led.

Managing agents and industrial finance.

Industrial financing in India is so intimately connected with the system of managing agents that it is worthwhile to examine the nature of the financial assistance rendered by the ma aging agents. We may also discuss the merits of such financing and its drawbacks. The banks in this country are not prepared to finance the longterm needs of industry i. e., block capital, and are not able to provide more than the circulating capital for short periods to industry. Even in doing so they want not only the security of materials and stocks of goods and the signature of a mill-company for any loan but the guarantee of the managing agents in personal capacity. It may, therefore, be said that the managing agents have not only to look to the satisfactory working of the mills but to finance them. When the company is started the initial capital is subscribed by the managing agents or their friends. When the industries were first started in this country the managing agents undertook to supply both the fixed capital and working capital. It was due to the peculiar nature of the money market then existing. There were no banks, and the moneyed classes were reluctant to invest. So they had to supply it to a great extent the share capital. The conditions have changed and the public has become well acquainted with the industrial investments and is prepared to invest in any sound scheme floated by the reputed businessmen. With this change

the share of the managing agents has proportionately decreased. When the company is promoted the agents and their friends may subscribe 60 to 70% with the object of having a control over the affairs of the company and to demand special consideration in the enterprise. The small groups of original subscribers do not hold their shares permanently. Such shares are unloaded on the market and are purchased by the general public. The initial subscribers get a commission of 2 to 5% of the nominal value for subscribing or for agreeing to subscribe. The shares at a later stage are sold off at a premium. They can manipulate the prices of the shares with the knowledge of insight working of the capital. Ultimately the normal holding of the managing agents comes to between 10 and 15% of the total share capital. Their controls with the companies having been executed in the earlier stage, there is no danger or risk afterwards. The agents thus initially subscribe a large proportion of shares not because the investing public is unwilling to subscribe but because they are not willing to allow it to subscribe. The shareholders who come later on have to suffer. This has naturally resulted in under-capitalisation of the concerns. A firm may be said to be undercapitalised when the total capital invested in and available for the enterprise is inadequate to its total needs or when the permanent needs of a concern are sought to be met by the fluctuating supply of funds either from the

public or from banks. On the other hand over-capitalisation which is converse of undercapitalisation means that there is a redundance of real capital invested in a concern in such a way that it is not needed there. When the total value of the capital is in excess of the surplus assets of the concern including the value of the goodwill or where the profits of the concerns over a period of years are too low in proportion to the amount of nominal capital waiting to earn dividends there is over-capitalisation.

Over-capitalisation may be brought about by inflating capital during the period of boom or by issuing bonus shares. There are great dangers of over-capitalisation. The defects of under-capitalisation are more apparent. The concern which starts with an initial lack of capital places itself under handicap.

Under-capitalisation is the result of financial weakness. A common argument put forward in favour of this policy is that this is more economical to finance by borrowing as the borrowed funds can be had at less cost than the share capital e. g. the funds may be borrowed at 5 to 6% wnich is much less than what would be paid to the shareholders as dividends. This method which has resulted in under-capitalisation was the result of the peculiar circumstances of business conditions of the last century. The less the amount of share capital the greater are the percentages of returns on it. The total investment in each

case was not large. The necessary funds for working were supplied either by the Managing Agents themselves or being themselves wealthy they could attract sufficient money at a low rate of interest. It works better in the case of large companies because the big concern owing to the high credit find it easy to borrow money and at the lowest rates. It is more dangerous in the case of small concerns, because they have to offer high rates of interest and even then they find it difficult to get sufficient funds. Even big concerns now find it more and more difficult to get money at a low rate and in sufficient quantities. The people now invest their savings either in Government paper or keep with banks or invest them in landed properties. In this manner under-capitalisation has become a common feature of the finances of our industrial concerns.

The working capital is obtained by the companies in three ways. It is either supplied by the Managing Agents in the shape of loans or loans from banks on the guarantee of the Managing Agents or thirdly public deposits. The ability of the Managing Agents to finance from their own resources is limited by the size of their purses and at present times the needs of the concerns managed by the agents have increased. The individual, concern has become enlarged and the number of concerns under each firm has increased. The resourses of the individual agency firms have to be divided among many concerns. Whatever the amount

which may be advanced the fact remains that the financial backing of the Managing Agents is often required to save the concern from ruin or in difficult times. This is due to the fact that some of the Managing agents have such a high sense of self respect and pride that they would not allow their name or credit to be shaken or impaired. Once they have taken the responsibility of promoting the concern in such period of depression the Managing Agents supply the necessary finances to save the concerns from ruin. The agents, sometimes, incur heavy losses from such financing activities. Even in most difficult times, they are prepared to meet financial needs of the concern. The help rendered by the firms can be much appreciated if we understand the faulty system of the industrial finance in this country. If the Managing Agents do not come forward with their advances it will be very difficult for such concerns to tide over the difficult times. It cannot be denied, however, that the help rendered is in their own interest. They hope that the benefits of the managing agency will continue to accrue to themselves and to their successors. These loans are sometimes cenverted into debentures and these debentures make a permanent burden on the business.

LECTURE III

THE BASIS OF MODERN INDUSTRY.

Resources. With the wide range of climate India is in a position to produce the widest possible selection of products which the soil can grow. Moreever, there is a space to raise these crops on a very large scale with the further development of irrigation. It was only in comparatively recent times that the vast importance of India as a supplier of the type of raw material which modern industry needs was realised. These raw materials are :- the coal and iron and a score of other minerals ; the vegetable oils for cooking and the manufacturing of food, soaps and paints ; the fibres such as cotton, jute and wool which modern textiles demand ; the hides and skins ; the timber ; the raw drugs used by every community nowadays. Ninteen categories of raw materials are at present exported according to the official classification. Of these cotton raw and waste comes first (Rs. 3104 lakhs), followed by jute (Rs. 1984 lakhs), seeds including oil nut (Rs. 1189 lakhs), hides and skins (Rs. 412 lakhs), wool (Rs. 323 lakhs), metallic ores, scrap iron and steel (Rs. 228 lakhs), manganese (Rs. 182 lakhs), gums, resin and lac (Rs. 222 lakhs), oil cake (Rs. 202 lakhs), coal (Rs. 189 lakhs), other nonmetallic mining and quarry production (Rs, 187 lakhs), oils, vegetable, mineral and animal (Rs. 137 lakhs), rubber (Rs. 93 lakhs) and smaller amounts

of fodder, bran, and pollards, paper making materials, tallow, stearine and wax, silk and timber. These figures are for the year 1939-40.

Another example of India's potentiality as a provider of raw material may be seen in the case of wheat. In 1937-38 a little more than 4½ lakh tons entered the international market.

Cotton— is by far and away the most important money crop in the country. India is the world's second largest producer. An average of about 7 million bales of four hundred pounds are produced yearly and of this nearly half is exported. It is grown mainly in the great 'black earth' region of the Deccan; the Omras which include parts of the Central Provinces and part of Bombay; in Kathiawar; in Northern Mysore; in Southern Madras; in Sind; and in the Punjab. The bulk of the Indian crop still remains of the shortest and coarsest staple possible. It is found suitable for the cheap quality textiles woven in India and Japan — India's biggest buyer of raw cotton. However, during the past twenty years serious attempts have been made to improve the quality of India's crop and in this respect the Indian Central Cotton Committee's work is most notable. The quality is steadily improving and supplies capable of spinning the higher standard warp counts of thirty's to thirty-three's are obtainable. Crops of this cotton are now replacing varieties of short staple cotton in the Omras tract of the Central Provinces and Berar.

Jute

Jute, the second most important Indian agricultural raw material is a monopoly of the four provinces, Bengal, Assam, Bihar and Orrisa, with Bengal growing 90% of the total. There has been an annual production of about 9 million bales of four hundred pounds each of which about half is exported raw, the rest being manufactured into hessian or gunny cloth in Indian mills. It is used for ropes, door mats, carpets, gunny bags and packing cloth.

Wool, Silk and Hemp.

Indian Wool exports stood at over Rs. 300 lakhs during 1939-40 and much of it was bought for carpet making. During the war a good deal of the supply available in India was used in the manufacture of blankets, etc. The quality of the wool is usually coarse and is produced in the hotter parts. But the wool which comes from the animals raised along the edge of the desert and in the Himalayas is of the exteremely fine quality. The woolen mills of Upper India weave fine grades of cloth from the better quality. Experiments are going forward to improve wool yield in various parts of the country. Silk exports are small, usually about Rs. four lakhs a year. The country does not produce silk on any considerable scale but has to import raw silk for manufacturing into valuable textiles on handlooms in Benares and Surat. Hemp appears in other textile materials. Out of the total exports of about 80 lakhs hemp takes the lion's share.

Vegetable oils.

The next great group of raw materials consists of oil seeds and nuts, oil cakes and oils-vegetable, mineral and animal. India is reckoned as the world's second largest supplier of oil seeds. The oil seed industry affects almost the whole of the country. A very considerable proportion of seeds grown are intended for domestic use, cooking, lighting etc. The most important oilseeds are groundnut, linseed, castor, sesamum, rape seed etc. The chief use for vegetable oils is for cooking, making margarine, soap-making, paints and varnishes and in medicine. Ground nut is the main oilseed exported. It is estimated that India grows from two to three million tons of this crop mainly in Madras and Bombay presidencies and Hyderabad State. About half of this crop is exported to the West where gorundnut oil is used for making margarine and soap.

Linseed is the next important oil seed The main uses for the oil are in maunfacturing paints and varnishes, linolium, oil fabrics, printing inks, imitation leather and soap. The chief growing areas are the Provinces of Behar, Orissa, the Central Provinces, the United Provinces and Hyderabad State. The country exports about half the world's supply i. e. 317 lakhs. The castor seed and oil dominates the markets of the world. In 1937-38 the country exported seed worth Rs. 64 lakhs and nearly 2½ million gallons of castor oil. Only one-third of the total crop

normally reaches the export market. In many parts of India castor oil is used as a lubricant. It is produced mainly in Bombay presidency, the Central Provinces, Behar and Orissa, and Hyderabad State. Apart from its medical use castor oil is valuable to industry as an ingredient of transparent soap.

Rape seed constitutes a very large crop in India, about a million tons are grown each year namely in Bengal, Behar, Orissa, the Punjab, Bombay, the United Provinces and the Central Provinces. The oil is known in India as mustard oil. In Europe the trade knows it as rape or colza oil. In India it is used for cooking, lighting, and personal use. In Europe the oil is thickened by blowing air through it and it is then used in compounded lubricants. Another oil seed is *Sesamum* often known as the gingelly or *til* in India. About four lakh tons are grown each year in Bengal, Behar, Bombay, the Central Provinces, Madras, the United Provinces and Hyderabad. A very small quantity is exported. In India the the oil has much the same use as that from rape, but it is considered superior to the latter. Its more delicate flavour makes it valuable for cooking. It can be used as a substitute for olive oil. In Western countries oil is used for making margarine.

Though the seeds and oils just discussed are the main items on India's list of exported vegetable oil materials there is a long list of other seeds of the same type e. g. cotton seed of which about

eight million tons are produced every year. Normally the seed is used for cattle food but the oil when refined is edible and is used in making margarine and salade oil. It is a bye-product of India's great cotton crop and ample supplies are always available. Southern India's immense production of coconuts has made the country famous in the coconut oil market. The oil produced is of high quality.

Of the other oil crops which can be grown in this country tungor Cinese wood oil has one of the brightest futures. At present only about twenty tons are produced but plantations are being established, particularly in Assam and Behar and attempts are also being made to grow the tree in the United Provinces and in the North Western Province. It is used in the making of varnish and has very high water resisting properties, rapid drying and stands satisfactorily in climates of high humidity. Another valuable paint ingredient is expelled from saff floor which is grown for its oil and its yellow dye. Another useful paint oil, on account of good drying qualities is solanum oil which is produced from the seed in tropical India. Among non-drying vegetable oils one of the most important to soap makers in India is *mahua* butter which has already been commercially exploited. It is also used as a food locally in India. Mention may also be made of hemp seed and niger seed oils which are grown in commercial quantity in India and are used as paint and soap oils respectively in France and Germany.

Animal products.

India's possession of one third of the world's total cattle population plus 26 millions goats, 22 million sheep, and 14 million horses shows the hugeness of our resources of animal raw material. This huge cattle population provides the rest of the world with a very large proportion of its hides. India produces 20 million cattle hides a year. Goat and kid skins are equally important. There is also a growing export of tanned hides and leather. Arising out of this cattle industry is an export of over thirty lakhs worth of bones and bone meal for manure. This industry is capable of great expansion. Another products having a share in the export trade are tallow, stearine and wax.

Lac and resins.

Gums, resin and lac form an important item of the export trade. Indian production is between forty to fifty thousand tons of raw Lac a year and most of this is sent abroad. Lac is found mostly in Northern India. In its refined form it is known as shellac. It is used by the gramaphone record industry. New uses of lac for road paints, anti-gas paints, luminous paints, shellac bitumen, spirit paints, quick setting cements and rapid drying varnishes, for mineral oil and petrol, containers have been discoverd. The use of lac as an adhesive binder in the elctrical industry has been investigated with promising results. At present India supplies a very consider-

able proportion of the world's lac. United States of America is supplied with lac and unbleached shellac. Other forms of gums and resins which India can supply include turpentine and resin of the chir pines. Chir pine resin production amounts to about 90,000 cwt., yeilding about one and a half lakh gallons of turpentine and 60,000 cwt., of resin. Bulk of the oil after rectification yeilds a turpentine which compares favourably with the American and French products. The gum resin of the salai tree is also, a possible source of turpentine substitute which has not been exploited yet on a commercial scale. The tree is common in Behar, Orissa, Central Provinces, Rajputana, Central India and parts of the Deccan.

Timber and forest products

India possesses vast forests and jungles from which about twenty - eight different Indian wood already in commerce are produced. The annual yield of timber and fuel from the forests amounts to about 290 million cubic feet a year. They include' *Baing*, from Assam and on the west coast, used for furniture, coffee cases, ship building ; 'Benteak' from the west coast used for furniture, ship building etc., '*Bijasal*' used for door and window frames, furniture and agricultural implements, obtainable in Bombay, Madras and Behar. Of the conifers, blue pine from the North Western Frontier province and the Punjab is much in demand. It is used in constructional work. The trees are also tapped for their gum. *Chir* pine which also comes

from the N. W. F. P., the Punjab and the United Provinces, though cheaper than Blue Pine is in considerable demand. *Deodar* is one of the most famous timbers of northern India and comes from the valleys of The Punjab and Kashmir. It is used for railway slippers and in building. *Spruce* and *Fir*, soft white woods are avaible in Punjab. '*Dhupa*', found along the foot of western ghats, is used for tea chests, packing cases etc. Local boat makers use it for masts. It also yeilds gum resin which makes an excellent varnish. '*Civit*'-*Gurjan*' are available particularly in Bengal and Assam. They are used for boat building and packing cases. '*Gamari*' is particularly available in Orrissa and Eastern Bengal. Being very durable under water it is used for boats, buoys, packing cases and ornamental work. '*Haldu*' is available in Assam, Bombay, Central Provinces, Madras, Behar and Orissa. It is good for turning furniture, and cigar box making. 'Hopea' is a beautiful wood much used in temple building in South Canara and is produced in the forests of Malabar and Benares. Indian rosewood or blackwood known as sheesam is found in many parts of India. It is available in the western ghats, C. P., Orissa, and in fact all over the country. It is used for furniture making, carriages, carts, and boat building. '*Irul*' wood is a hard wood found in Madras, being very durable it makes excellent railway sleepers and can also be used as paving blocks, telegraph poles, etc. In addition to these there are many other varieties of timber which are used for commercial

purposes. In fact the country possesses vast potential wealth of timber.

Minor forest products.

A side line of India's forestry is a large variety of paper making material. In addition to a number of timbers which might be used for the manufacture of wood pulp there are also very large growth of bamboo and grasses such as '*Ramsai*', *Ullo*; and *Sabai* or *Bhabar*, About 33 thousand tons of bamboo pulp and 22 thousand tons of Sabai grass pulp were produced annually before the war. Lac, gums, and oil bearing trees have already been described. Another range of minor forest products are the raw materials for medical and perfumery purposes, chief of these is sandalwood oil and sandal wood. Of several essential oils *palma rosa*, and *lemon grass* oil are very important. There are a number of other essential oils and it is believed that the resources of essential oils can be developed to a large extent. Other drugs indigenous to India include *mentha*, *juniper* etc. India possesses such a range of climate that it is possible to cultivate almost all important drugs here. Another medical substance which can be produced in large quantities in India is *papain*. This is used in chewing gum and the largest exporter is Ceylon. Two Indian vitamin sources are shark liver oil and the Indian gooseberry or the 'Amla'. Both would provide very cheap raw materials for such purposes.

Mineral resources.

India is the second biggest coal and iron ore producer in the Empire, the provider of a third of the world's output of Manganese and three quarters of the world's production of sheet and block mica. In considering the mineral raw materials we have to bear in mind that although the production of nearly all the minerals on India's list has shown very considerable increases only a very small portion of the deposits known to exist has been exploited; that many rich beds of coal and ores lie in the corners of the country at present, difficult of access and that fresh mineral discoveries are liable to be made. In 1938 the country's mineral production totalled nearly Rs. 3,414 lakhs. Of this, coal accounted for Rs. 1064 lakhs representing about 28½ million tons. India is the second coal producing country of the Empire. At present it is mined in Bengal, Behar, C.P., Eastern States Agency and Hyderabad State, with smaller amounts from Assam, Baluchistan, Central India, Orissa, the Punjab and Rajputana. Recent investigations, have shown that there are still vast untapped reserves.

IRON. India is now the second largest producer of iron ore in the British Empire The more accessible deposits are found in the Singhbhum district of Behar and the adjoining Eastern States yielding 3000 million tons of ore. In Bastar the reserves are estimated at 724 million tons of excellent

quality ore In the neighbouring Chanda and Drug districts of the C.P. there are also important deposits. At present about 3 million tons of iron ore are raised each year in India. The major part of it at Singbhum and Behar and in the nearby states. Mysore state which has its own iron works raised more than 35 thousand tons in 1938.

Manganese Ore It is next in importance, accounting for about one third of the world's output. It is an important adjunct of the iron and steel industry. In 1938 production was about more than 9½ lakh tons worth more than Rs. 388 lakhs. The Indian Iron and Steel industry consumes about 60 thousand tons of manganese a year. It is exported mainly to the United Kingdom, Japan and France. Main mining areas are the Balaghat, Bhandara and Nagpur districts of Central Provinces; Sandur one of the Madras states; Keonjahor and Bonia among the Eastern states; Singhbhum in Behar, the North Canara and Punchmahal districts of Bombay and Mysore states.

Mica. It is one of India's mineral specialities since three quarters of the worlds supply of sheet and block mica is provided by this country. In 1938 production was about 1¼ lakh cwts. and valued at about Rs. 42 lakhs. It was exported mainly to Britain, the U. S. A., and Germany. Mica deposits are widely distributed through the country. But it is mainly produced in Behar and Ellore district of Madras. Other mica producing areas

are Rajputana, Mysore, Gwalior and Travancore. A bye-product of the mica workings in Ajmer Merwara is Bryle. It was shipped to Germany and America. The production has fluctuated in recent years but still it is on a large scale.

Petroleum. As a petroleum producer India is not very important but the production is increasing. In 1938 about 87 million gallons were produced. The chief centres of production are in the Punjab at Attock and Digboi field in Assam. This internal production is only a fraction of India's own needs of kerosine and petrol as well as mineral oils.

India's known deposits of base metals — tin, lead, zinc and copper are poor. Tin occurs in the Behar mines but is of no importance. Copper is produced in the Singhbhum copper belt in Behar. It is produced on a small scale in Mysore also. Bauxite is also found in the country. At present it is mined at Tungar hill near Bombay where there are rich deposits. There are also vast quantities in the Balaghat, Jubblapore, Mandla, Seoni and Nand gaon, districts of the Central Provinces and in Behar. Of the other minerals useful to industry India is already producing in commercial quantities gypsum, (Kashmir, Madras, Punjab, Rajputana, U. P.) Steatite (Guntur, Behar, Central India, C. P., U. P. Eastern States, Mysore and Rajputana), Fuller's Earth (C. P., Punjab and Rajputana), Barytes (Madras and Rajputana). Ochres (C. I., C. P., Eastern States, Madras, Orissa and

Rajputana), Graphite (Mysore, C. P., Madras, Eastern States), Tungston (Jodhpur state), Asbestos (Eastern States, Mysore and Rajputana) Antimoney (Chitral State), etc. Gold has a large production in the Kolar area of Mysore state and precious stones are found in Central India and Kashmir.

Tobacco. India is a very important tobacco growing country. In 1937 it stood first among the world tobacco producers. The annual value of the Indian crop is about 1800 lakhs and the chief areas for growing it are Bengal, Madras, Bombay, Behar, U. P., and the Punjab. Varginia tobacco is produced in Madras and is introduced in the Bombay Presidency. A very considerable part is consumed inside the country. Research is being under-taken to improve not only the crop of leaf but also the curing and marketing.

Though this enumeration of India's primary products may not seem brief it is only the barest sketch in relation to the total potentialities of the country.

Need for planned development of India's mineral resources.

Mr. C. H. Bhabha, Minister for Works, Mines and Power in the Interim Government, addressing the Mineral Policy Conference emphasised the need for the development of mineral resources so as to fit it into the frame work of planned industries. He said that our policy should be directed to the attainment of mineral and metal self-sufficiency so far as possible and there should be central control

of minerals of strategic and national defence importance.

Stressing the need for legislation for the control and regulation of mining on the one hand and positive guidance and supervision of mineral exploitation on the other, *Mr Bhabha* said that there should be regulation amounting to stoppage of export of some key minerals unless a compensatory return or barter of minerals and metals in which we are deficient was assured. The mineral policy was still in the making and the problem had an international aspect. A country which is short of an essential mineral and is not in a position to replace it by a natural subsitute has to depend on others for its supply. The unequal distribution of mineral wealth necessitates specialisation, reciprocity and large scale movements between the nation.

In *Mr. Bhabha's* opinion a certain measure of unified commercial controls, possibly international in scope, was a logical consequence of the limited number of the large sources of supply. This is a fact that must be remembered in the formulation of a national mineral policy. Although, during the past, the mineral trade had been characterised by freedom of movement out of India and in future the new mineral policy would have to take into account of the country's obligations as a principal member of the community of nations but it would not be inconsistant with the requirements of our own planned economy of the future.

Mr. Bhabha further said, 'the growing interest of the state in mineral development does not imply that the state will or can over night participate directly in mining or metallurgical operations. Large sectors of our mineral economy must of necessity be left to private exploitation subject to state control and regulation. For many years to come Government must content itself with only creating legislative and administrative conditions within whose frame work planned development of our mineral resources could take place. 'The proposed Beureau of Mines would be in a position to render all necessary assistance to those anxious to develop the resources of the country.

"We consider it of primary importance that all possible steps should be taken urgently in the direction of acqusition of mineral rights. The recommendation made by the Indian Coalfields Committee for the acquisition by the State of all rights in coal alone can hardly serve our broader objectives of a national policy. Any acquisition of mineral rights by the State should be for all minerals. In the implementation of this cardinal principle of our national policy, the various provinces and States will independently, on some sound and agreed basis, have to arrange for purchase of rights in minerals within their respecitve boundaries." This declaration was made by *Mr. C H. Bhabha*. Minister for Works Mines and Power in the Interim Government, in the course of his presidential address at the second section of the National Mineral Policy Conference held in New Delhi.

Addressing the Conference *Pandit Nehru* emphasized that it was not the intention of the Government of India to deprive Provinces and States of their rights in regard to the mineral resources within their respective boundaries, but a Central Planning Agency would be necessary for the conservation and utilization of mineral assets in all parts of the country and so would be a central service of skilled advice as contemplated in the proposal to set up a Bureau of Mines.

Pandit Nehru said that the Government would no longer tolerate the wasteful exploitation of mineral assets in any part of the country by any individual or group to the disadvantage of national economy. He pointed out that the geological survey made so far though of excellent quality had been but on a small scale and also urged the necessity for expanding research in the various fields connected with the proper conservation and utilization of minerals.

Mr. Chundrigar, Minister for Commerce, who followed, expressed himself as being clearly in favour of the objectives of the mineral policy enunciated at the Conference. He said that the Central Government could certainly help the Provinces and States in the organization of research, co-ordination of policy and training of technical personnel. There could not be any difference, he pointed out regarding the need to protect the mineral industry from the adverse consequences of the

predominance of foreign interests, he assured the Conference that everything would be done to develop India's mineral wealth in the best possible way and in the fullest possible measure and he agreed with *Mr Bhabha* that the whole problem had to be solved in a spirit of urgency. But, he pointed out that it was for the representatives of the Provinces and States to decide whether final control over mineral rights should be vested in the Centre or in the Provinces and States. The question had assumed great significance especially in view of the imminent constitutional changes.

CAPITAL

We have already discussed the role of Managing Agents in connection with the Financing of Industries in India. On the Eastern side of the country, the foreign agency houses were responsible for the development and financing of Jute, Coal, Tea, and Transport Industries. In the case of Cotton industry, the Indian merchants of Bombay supplied the necessary capital and established cotton mills with the assistance and technical advice of the representatives of foreign manufacturers. Excepting cotton, the other industries were established with the assistance of foreign capilal and foreign enterprise, mainly British. The country has been making good use of capital imported from foreign countries for the development and expansion of her industries. The investors in India, having no confidence in the success of the enterprises, were reluctant to invest their savings.

The policy of the State was also to encourage the import of foreign capital. Consequently, the managing agency houses both Foreign and Indian, have been arranging for both the block and work ing capital needed by the industries. The banks in this country have not hitherto played the same important part in supplying capital as in other countries excepting short-period finance. In Bombay and Ahmedabad, deposits received from the public have been an important source of finance. On the whole, the investors have not been prepared to take any risk by investing in the industrial securities. They have been investing in land, in Government securities or postal certificates, which are considered to be safe investments. This is true specially of those people who have fixed income. The business classes who are of a more speculative nature, have been taking greater interest in equity shares from which they expect to gain by the appreciation of their values. They do not care for steady yield. However, since thirties of this century, a chage is noticeable. The Government changed its attitude towards industries and granted protection to several of them. The investors expecting a fair and sure return on their investments came forward and the Indian capital was invested in larger quantities in those industries. At the same time, big managing agency firms came forward and under their leadership floated many industrial concerns. Even in recent years, we are observing certain changes which have brought Indian capital to the forefront. The

Indian managing agents are taking greater interest in the promotion of companies. They are establishing not only manufacturing concerns but also Insurance Companies, Banks, Investment Trusts etc., Some industrial magnates are purchasing the interest of the foreigners in the important and fully established business-concerns. Many Investment trusts have been established and there are about 20 such Trusts in India.

Futher, under-writing which has not been popular in this country, is getting more and more popular. The well-known brokers are now under-writing the shares of newly floated companies. In recent years, many important concerns have modified the structure of their capital offering a variety of shares to suit the different classes of investors. Some have increased their capital at the same time. In addition to these tendencies, which are sure to bring more Indian capital into industries and commercial under-takings, the attitude of the State has also changed. The Government has made a move by introducing a bill for the establishment of an Industrial Financing Corporation in India. The establishment of such a corporation will aid the industrialisation of the country by providing necessary finance.

The establishment of an Industrial Finance Corporation in India is under consideration of the Central Legislature and a bill has been introduced in the Central Assembly by the Finance Member. The object is to provide credit for medium and long term capital requirements of industry, which

are outside the normal activities of commercial banks. The proposed corporation will have a share capital of five crores of rupees, the shares to be held jointly by the Central Government, the Reserve Bank, Scheduled banks and insurance companies, investment trusts and other like financial institutions. There will be no private holding of shares. Shares of the corporation will be guaranteed by the Central Government as to repayment of principal and payment of dividend not exceeding two and a half per cent per annum. The corporation will be authorised to issue bonds and debentures for amounts which together with the contingent liabilities of the corporation, shall not exceed four times the amount of the paid-up share capital of the corporation. The Central Government will gurantee such bonds and debentures as to repayment of principal and payment of interest not exceeding two and a half percent per annum. The corporation may accept deposits from the public repayable after a period of not less that ten years and on such other terms as the corporation may think fit. The corporation will be authorised to make long term loans to industrial undertakings, repayable within a period not exceeding 25 years and to underwrite the issue of shares and debentures subject to the provision that the corporation will be required to dispose of any shares or debentures acquired by it in fulfilment of its underwriting liability within a period of seven years. The corporation will not be liable to pay income-tax or supertax on its income and profits, but the

dividend paid to shareholders will be liable to these taxes. The surplus profits of the corporation after payment of a dividend not exceeding five per cent and after building up a reserve fund of five crores will be payable to the Central Government. The corporation will have special privileges in the matter of the enforcement of its claims against borrowers.

We have already seen that foreign capital has been dominating industry in this country and the amount of foreign capital invested is quite large. Recently, the question of foreign capital has come to forefront. The National Planning Committee passed a resolution in regard to foreign capital. 'The question is, whether it is still indispensable for India's industrial development keeping in view the present political, social, and economic conditions in the country.' If we can do without it, have we sufficient supply of domestic capital available, or could we set aside sufficiently large proportion of our current production for purposes of capital development ? It is now an admitted fact that to raise the standard of living of the masses, there should be rapid and large scale industrialisation which presupposes a vast amount of capital.

The country has been depending to a large extent upon imported foreign capital for her industrial development. From Political consideration, it has been contended that the part played by foreign vested interests in the political evolution of the

country has been obstructive and reactionary. The political domination of foreigners is due to their capital. Our main handicaps today in the way of industrialisation are not capital resources but the absence of machinery and plant, technical knowledge and skill, low purchasing power and above all an inactive industrial policy. In the opinion of those, who consider the problem from the political point of view, it is more desirable to have a slow pace of industrialisation rather than permit the exploitation of our resources or rather than surrender economic autonomy. Against this view, it is held that political sovereignity and economic autonomy are no good if they do not mean freedom from want to the vast majority of people in this country. If by permitting a certain amount of foreign capital which means not merely money but goods and services, which money can buy, and are badly needed here, we can raise the standard of living of the masses, we should not hesitate to do so. It does not mean that foreign capital should be obtained on any terms or under any conditions by which the country may have to sacrifice her political existence, or may have to run the dangers from foreign combines. It is not suggested that the foreign capital should be accepted in our present political status because industrial development on a large scale even with foreign capital will not be possible as long as the country is not politically free. A strong natio al government by safeguarding the permanent interests of the country should have

necessary foreign capital and then there will be no fear of exploitaion. It has to be admitted that rate of savings in the country cannot be greatly increased and consequently large amount of Indian capital cannot be made available to industries. On the other hand, everyone is anxious to raise the standard of living of the people. It means that they must spend more to raise their standard. How will it be possibe for them to save, from their poor income? It has been estimated that to double the standard of life of the masses over the next 15 years, the capital necessary for the purpose would be according to Bombay Plan, Rs. 10,000 crores. Can this amount be raised from our resources? It is very difficult to do. In the face of this, either we must be content with the slow pace of industrialisation or we must seek the assistance of foreign capital. We cannot afford to wait too long to enable the rate of saving to rise to the desired proportion. We have to avoid the breakdown of our economic system. Further, in respect of capital equipment, we are poor. We want to get the capital goods, the shortage of which, will continue for several years. For that we have to depend upon foreign countries. Even if we have now plenty of capital due to war-time inflatian, and we can mobilise it properly, it will not solve the problem of foreign exchange, which can enable us to obtain the capital goods from foreign countries. It is, therefore, evident that foreign capital is necessary to aid the further development of the country. It is, however, important that industries should be

financed from our resources as far as possible. Besides, we should draw upon sterling balances for acquiring the capital goods from abroad. The foreign capital should be allowed to come under adequate control by the National Government. It will be necessary to see that foreign interference in our economic and political affairs does not follow the import of foreign capital. It should not be difficult for an independent India to get foreign loan on reasonable terms. Unless this is done, it would be desirable to wait indefinitely for industrial development instead of reaping undesirable results by importing capital from foreign countries. It is expected that with the creation of an International Bank and other international organisations, the undesirable features of foreign loans will disappear. The Indian industrialists should not enter into any private negotiations so long as national policy and national control on such capital are not instituted.

LECTURE IV

LABOUR

Labour Legislation.

The advance of industrialisation in India has brought in its wake the same social consequences as in other countries and has called forth the same kind of ameliorative action. Inordinately long hours of work, increditably low rates of wages, exploitation of women and children and unhealthy working conditions all clamoured for the protective interference of the state; and today most of these evils are being brought under control even if they have not been altogether eliminated. Especially since the great war a series of Labour Laws dealing with these subjects has been adopted by the central and provincial governments, and India's membership of the International Labour Organisation has by common consent been the most decisive factor favouring the adoption of social legislation of this character.

The regulation of hours of work, prevention and compensation for accidents, the introduction of a weekly day of rest, the abolition of night work for women, the grant of maternity benefits, better control over the employment of children etc., owe their inspiration to the I. L. O. An indication of the progress that social legislation has been making in recent times is afforded by the fact that from 1932-37 we have

had 18 central and 13 provincial acts adopted by the legislatures in India. The various acts passed may be mentioned in brief.

In the matter of factory legislation Factory Acts were passed in 1881, in 1891, in 1911, in 1922, which were further amended in 1934. The Act of 1881, applied to factories using power and employing more than hundred persons. Nobody could be employed below the age of 7 years and children between 7 and 12 could not work more than nine hours a day with an hour's daily rest and four holidays in the month. The Act of 1891 was extended to the factories employing 50 persons and the age of the children was increased to 9 and 14. The maximum number of hours were reduced to 7 per day. The women workers could not work more than elven hours a day. The act of 1911 fixed the number of hours for men at 12 in the day and 6 in the day for children in Textile factories. Night work was forbidden. In 1922 another Factory Act was passed and was extended to factories employing not less than 20 persons. The hours of work for adult workers were limited to eleven in any one day and sixty for a weak. The minimum age for children was fixed between twelve and fifteen. Provisions were also made for the health and safety of workers, better sanitation in the factories, and inspection of factories. The act was further amended in 1934. The working hours for adults were limited to 54 a week or ten a day. It provided for a weekly holiday, rest periods and for certificates of fitness,

for children between 12 and 17. No child between 12 and 15 was permitted to work for more than five hours a day. Provisions were made for the welfare of workers and overtime work. The act was further amended in 1936, 1940, 1941, 1945, and 1946.

Similary special legislation was enacted for mines and transport agencies. Mining Acts were passed in 1901, 1923, 1929, and 1935. They have provided for the appointment of inspectors, a weekly holiday, limitation of hours of work to 54 hours per week and ten hours a day above ground and 9 hours a day underground, the exclusion of women from work underground and the prohibtion of employment of persons below 15 years. With regard to Railway workshops, Indian Railways Amendment Act was passed in 1930 which limited the hours of intermittent work to 84 a week and non-intermittent work to sixty hours a week. It also provided for rest and inspection. The Indian Merchant Shipping Amendment Act 1931 was passed in the interest of maritime labour.

Social rights of the workers have also received due consideration. Workmen's Compensation Act was first passed in 1923 and has been subsequently amended from time to time, to meet the changing conditions. The workman recieves compensation when he meets with an accident or contracts some ocupational disease. Maternity Benefit Acts have been passed by the Central and some Provincial Governments such as Bombay and U. P.

Payment of wages Act of 1936 was passed to lay down elaborate regulations regarding imposition of fines on the workers, reductions from wages, payment of wages and as to the time and mode of payment. To give relief to the employees in shops and commercial establishments Acts have been passed by Provincial Governments to make provision for the limitation of hours, rest and holidays etc.

Trade Disputes Act.

The Government of India passed a Trade Disputes Act in 1929 which provides for setting up Courts of Inquiry and Boards of Conciliation. The main provisions are :—

(i) Provincial Governments or Governor General in Council may at the request of both the parties appoint a court of inquiry or a Board of Conciliation.

(ii) The Court of Inquiry is to consist of an independent man or an independent chairman and other persons, while the Board of Conciliation may consist of an independent chairman and two or four persons who may be independent or be appointed in equal number to represent the two parties.

iii. The Board is to bring about an amicable settlement and may do all such things as are thought fit. If it fails to bring about a settlement it shall submit a report of its findings to the appointing authority together with its recommendations.

iv. Penalties are laid down for strikes and lock-outs in Public Utility concerns unless proper notice in accordance with the Act is given.

v. Certain strikes have been made illegal.

Trade Union Act. (1936) The act gives a legal recognition to the Trade Unions and defines their legal position. The registration which is optional confers certain obligations and privileges. They must have a name and must define the objects for which they are constituted. The audited accounts have to be furnished. The Act provides immunity from criminal liability to all trade Union officials acting in furtherance of the legitimate objects of the Union. They are not liable to be indicted for conspiracy.

It is evident from the above that various measures have been initiated in the interests of the workers, but it should not be understood that nothing further can be done. There are still problems which remain untouched and unsolved. When it is remembered that even in Great Britain with all its complicated labour code and its costly system of social insurance of all kinds and its machinery for the fixation of a minimum wage, the cost of production consequent upon the adoption of all these schemes has gone up barely one percent. It can well be understood that the increase in production costs consequent upon India's adoption of rudimentary labour reform, must be held to be negligible. The social gain has been enormous and the major industries of the country have

benefitted considerably from the work of the labourer whose lot has been bettered by the social reforms of the last fifteen years.

What has so far been done in the realm of labour legislation, has been preventive than positive in character, and large patches in the industrial fields still remain unaffected by a great many of the measures already adopted. Many more progressive labour laws, therefore, will yet have to be added to a statute book. We have no social relief laws in India. In 1827 the International Labour Conference adopted a draft convention on the subject of sickness insurance requiring the state to set up a system of compulsory sikness insurance. The Indian Government did not ratify the convention in 1933. The International Labour Conference adopted another convention regarding invalidity, old age, widows, and orphans insurance. It was also turned down by the Government of India on grounds of financial and administrative difficulties. The necessity of social insurance in India is urgent. It will remedy many of our social ills. It will raise the standard of living of the labourers. It will raise their effeciency and will remove many of the characteristics which stand in the way of the efficiency of the Indian worker. The employers will also be benefitted as they will not have to face the problems of labour scarcity, absenteeism and irregularity. There are no doubt a number of difficulties which will have to be faced, both financial and administrative. But something has

to be done and the difficulties have to be surmounted. A beginning may be made according to our resources and requirements. Sickness Insurance is the most desirable. It may be followed by unemployment insurance, old age pension scheme, etc. Prof. Adarkar has already submitted to the Government of India a scheme of sickness insurence for industrial workers.

The health insurance scheme, which involved three years of preparation, took concrete form in the shape of the proposed Workmen's State insurance Act, 1946. The Bill, introduced in this connection on 6th November, 1946 covers all workers — permanent, temporary or casual - employed in perennial factories registered under the Factories Act. Seasonal factories are, however, excluded from the purview of the Act. Both manual and non-manual workers are included in its scope. It makes provision for certain benefits in the event of sickness maternity, and employment injury to these workers. Medical treatment will be provided for insured workers at specified hospitals by the Provincial Governments. A Workmen's Insurance Court will be set up to decide disputes and adjudicate claims. The administration will be entrusted to a corporation constituted by the Central Legislature. Its functions will be carried on by a Central Board and financed by the Health Insurance Fund to be established for the purpose. The fund will be derived from contributions mainly from employers and workmen those getting below annas 10 per day being exempted,

from payment. It is significant that although the Board is permitted to accept gifts or donations from Porvincial, State and Central Governments, there is no speci c provision made for the State's contribution as such. The responsiblity is thus laid only on two parties and not all the three — the employer, the employee and the state as was supposed. This lacuna may, however, be expected to be removed when the bill comes up for discussion by the Central Legislature during its budget session next March (i..e. 1947).

Labour Legislation in 1946.

The year 1946 was a momentous year in the history of Indian legislation. The Labour Member of the Government of India has been anxious to promote the cause of the workers. He is determined to improve the lot of the workers. In this year two important labour laws were enacted. In an Act the principle of 48 hour-week was enunciated. In the other Act the Government passed a law determining the relations between the employers and the employees. A good deal of spade work has also been done to provide future labour legislation in the country. By amending the Factories Act of 1934 the working hours in factories are reduced. The Factories Amendment Act 1946, which came into force from August 1, 1946 reduces maximum weekly working hours from 54 to 48 and 60 to 50 in perennial and seasonal factories respectively. It fixes the maximum daily hours of work at 9 and 10 respectively. The

'spread over' has been reduced from 13 hours to 10½ hours in case of perennial factories and 11½ hours in the case of seasonal factories. The Act lays down uniform rules for the payment of overtime work both in perennial and seasonal factories, and increases its rate to double the rate of worker's pay. The immediate effect of a reduction in hours at least in the textile industry has been a reduction in output. Employers have also complained of absenteeism, but these effects should be considered temporary. The reduced hours will result in greater productive efficiency, can not be doubted.

Another important Act, the Industrial Employment (Standing Orders) Act was enacted. The Act applies to all industrial establishments, employing 100 or more workers in British India. It makes it obligatory for the employers of such establishments to define conditions of service and get them certified by an officer appointed for that purpose by the Central or Provincial Governments as the case may be. The standing orders should cover the following (among others) point — classification of workmen, manner of intimating pay days and wage rates, shift working, attendance and late coming, conditions and procedure for getting leave and holidays, termination of employment, suspension or dismissal for misconduct, conditions of temporary stoppages of work, and means of redress for workmen against unfair treatment by the employer. Under this Act it has been laid down that before certifying the draft orders submitted by the

employer, the Certifying Officer will consult the Trade Union of the workers concerned or in the absence of a trade union, the workmen in such a manner as may be prescribed by the appropriate government. Any party dissatisfied with the order of the Certifying Officer has a right of appeal to an appellate authority, whose decision will be final. Once standing orders are finally certified, they can not be modified by the employer within six months from the date of certification except on agreement between him and the workers. All modifications will have to be submitted to the Certifying Officer and got certified by him under the provisions of this Act. This act aims to avoid vague and ill-defined terms of service in industrial establishments. In the conciliations and arbitration of industrial disputes, standing orders as certified under the Act, will be very useful to judicial authorities.

Other labour laws enacted during the year are of secondary importance. Indian Mines Amendment Act was passed. It empowers the Central Government to require colliery owners to construct locker rooms and bathing places with shower baths separately for men and women employed in their mines and to maintain them according to prescribed standards. Since then, the Coal Mines Pithead Bath Rules have been framed and published by the Government of India. These rules which will come into force from July 1, 1947, divide coal mines into four categories according to their

average monthly output and prescribe the number of pithead baths for men and women workers. These rules also lay down standards regarding locker rooms, latrines and ancillary facilities. In order to expedite this measure the Government announced to pay a subsidy of about 20 per cent of the cost of building pit head baths to colliery owners if they construct them before January 15, 1947,

The Workmen's Compensation Act 1946 was also passed. Under the original Act, workmen earning wages exceeding Rs 300 were not entitled to compensation. Since dearness allowance paid to the workers was regarded as a part of their wages an amendment in the Act was considered necessary. The Act, as amended raises the maximum limit to Rs. 400 and also lays down scale of compensation for workers getting between Rs. 300 and Rs. 400.

Another Act known as Mica Mines Labour Welfare Fund was also put on the statute book. This Act empowers the Central Government to raise a fund by levying a cess of 6½ *per centum ad-valorum* on all mica exported from British India. The fund, so constituted shall be utilised promoting welfare of labour employed in Mica mining industry. Although this act is restricted in scope, it will go a long way towards improving the conditions of workers employed in Mica mines.

Other labour bills which have been introduced in the Central Legislature are, the Trade Union

Bill, the Industrial Disputes Bill, the Workmen's State Insurance Bill, a bill providing for the establishment of canteens and the Minimum Wages Bill.

Of the labour legislation which has received consideration of Provincial governments, mention may be made of the Bombay Industrial Relations Bill. It is an innovation in the field of labour legislation in this country. It aims to set labour courts for the quick disposal of all disputes arising from the interpretation of standing orders, changes made by the employers and reference regarding illegal strikes and lockouts. It provides for the establishment of joint committees in industrial establishments in order to settle day to day difficulties between management and labour. It aims to foster as well as regulate trade unionism in the province. It introduces three types of trade unions: representative union, qualified union and primary union. The bill provides for the compulsory arbitration of industrial disputes and empowers the Provincial Government to make the award of an arbitrator binding on both the parties. It seeks to remove ambiguity regarding penalties arising out of illegal strikes. The bill has been adopted by the popular house

It is quite clear that the popular government at the centre is anxious and determined to improve the lot of working class. *Mr Jagjivan Ram*, the Labour Member declared that the Government proposed to plan a five year labour programme

for ameliorating the lot of working class. This programme includes proposals for the promotion of fair wage agreements, organisation of industrial training, improvement of working conditions, elimination of contract labour, definition of fair terms of service, promotion of industrial peace measures for social security, housing and welfare work. The labour policy of the Government lays stress on the necessity of formulating and enforcing a uniform labour policy in the country. (*The Eastern Economist January 3, 1947*

Industrial labour in India.

It was about the middle of the last century that labour in organised industries came into prominence first in connection with the Public Works Department and a little later in mines and plantations and factories established by foreign and Indian Managing Agents. Since 1914 the number of industrial works has increased considerably with the development of industry. There are certain characteristics of Indian labour. In India the labourers are usually drawn from the villages and they move from villages to towns and from towns to villages according to the exigencies of work at home. It is very difficult to say that in India there is an industrial labour class as is found in other industrial countries. It is, therefore, of migratory character and the Indian factories at times feel the shortage of labourers specially at the sowing and harvesting times. Secondly, there is a lack of unity and organisation among the labour population as

they are drawn from distant places and they belong to different religons. Another important characteristic of Indian labour is its proverbial inefficiency.

The causes of the comparative inefficiency are many. It has been attributed to the migratory character, the effect of the climate, low wages, lack of educational facilities, long working hours, unsatisfactory working conditions, unsuitable housing conditions and inefficient management. Before discussing the question of labour inefficiency let us examine how far the Indian industrial worker lags behind the industrial workers of other countries. On this subject, *Mr. Harold Butler*, the ex-director of the International Labour office has made some observations. He points out that the inefficiency of the Indian worker, as compared to the European, is by no means a settled fact. Though the general rule in the cotton textile industry is one loom per worker, there are mills in Ahmedabad and Bombay where weavers look to two to six looms. In such cases wages are higher and hours shorter. In another mill the management claim that they were obtaining 85% of the average individual output in the Lancashire mills but they were paying wages in excess of the usual Indian rates and only engaged educated workers. In the Tata Steel Works the coefficient of efficiency in some departments is estimated at about 25% of that in Europe or America. Mr. Butler's general conclusion was that the ratio of comparative efficiency varied

from 25% to 50% of the European standards and these wide variations indicate that the ordinary explanations relating to the Indian climate or to the natural indisposition of the Indian to work regularly and with intensity are too simple to be adequate. In his opinion the efficiency and otherwise are largely determined by the combination of the factors of poverty, ill health and illiteracy which are so wide-spread in India that they seem often to be regarded being as indigenous as the climate itself. These are enormous handicaps. The poor physical and mental vitality of the Indian worker which has caused him to be called inefficient is due to pathological causes which can be removed. The workers usually suffer from various typical, deficiency—diseases, such as malaria and tuberculosis. These diseases apart from poor hygienic surroundings, dietetic insufficiency or unsuitability are important factors that conduce to the lower efficiency of the Indians. Their ill-health is due to bad housing conditions both in cities and in villages. This has not received the attention it deserves. Again the handicap caused by illiteracy is even greater. India is the only country which is attempting to build up a great industrial system with an illiterate industrial working force. It is impossible to over estimate the consequences of this disability which are obvious in wages, health, productivity, and in organisation. Modern machine industry depends to a large extent on education and the attempt to build it up with an illiterate body of workers must be difficult. A striking illustration of the

consequences is, that while the Indian textile industry possesses all the advantages of Japan such as low wages, improved management and uptodate machinery it cannot beat Japan mainly owing to the fact that the Japanese worker is usually educated. This problem of Indian illiteracy is already being attacked and efforts are being made to solve it by Provincial governments. It is certain that money spent for the purpose of better public health and education will in time produce excellent results provided the efforts at improvement are conceived and executed on sound and sensible lines. Another urgent necessity for improving the industrial efficiency is that of raising the general standard of living. It is essential to obviate the present misery and the pressure of population upon resources. The purchasing power of the people has to be raised. Better standards of living depend upon increased production. The equipment for production is lacking in this country. There is no great accumulation of wealth seeking investment and no immense productive capacity ready to spring into action the moment the necessary effective demand comes into operation. The country's capacity to produce is on a per capita basis meagre in the extreme. Further, industrialisation and improved agriculture will no doubt increase the national dividend in course of time. But it is also necessary to lay the foundation for an alround improvement in the standard of living of the people. While it is essential for improving the general efficiency of the industrial worker it

is also imperative to improve the efficiency of the nation as a whole. It is futile to expect that a rise in the standard of industrial efficiency can be obtained as long as the inherent weakness of the social system of which the industrial worker is a product remains unattacked. Thus a large population which other countries welcome as an invaluable asset, is our present weakness which may be converted into a source of future strength.

That there is a welcome change in the attitude of our people as regards our social and economic betterment is no longer open to question. The passivity and fatalism of the masses are beginning to yield the desire for high standards and the determination to acquire them. The new ideas have become still more pronounced as a result of the recent constitutional changes and a nation wide political compaign of the present day which has turned the attention of the masses to economic and social questions. In the industrial world labour questions have now assumed the same importance as the older questions of technical, financial or commercial management.

Labour Unrest.

The change in the attitude of our people as regards social and economic betterment has resulted in labour unrest culminating in strikes and lockouts and has been noticeable in almost all parts of the country since the beginning of the year. The strike fever has gripped not only the industrial worker but also the workers in offices.

The office-workers have made common cause with the worker and the situation has become serious. It is difficult to predict the results which may be very harmful if the situation gets out of hand. It is the duty of the state as well as of the employers to be tactful and sympethetic in dealing with the situation.

The general unrest must be attributed to the steady rise in the cost of living and the relatively inadequate compensation which the labour has been receiving in many cases. During the war period most of the workers worked patiently and loyally against the steady increase in the cost of living index number as they were told by the government that their case was under consideration and plans were formulated with a view to afford them improved standard of living conditions in the post war period. The labourers found after the termination of the war that the cost of living showed no downward trend and on the other hand prices of many necessities moved up; and even at high prices they were not freely obtainable, due to the black-market activities of the profiteers. The sections of the community whose earnings were low had to pay prices which they could not easily afford. They were further embittered at the unusual prosperity of industrialists, dishonest businessmen and speculators at a time when more equitable distribution of wealth was expected by them.

That there has been a perceptible rise in the cost of living index number since the termination

of the war is proved by facts and figures e. g., all India working class cost of living index number stood at 219 in May, 1945 (Base August 1939 = 100) and was marked upto 231 in August, 1945 and in March, 1946 rose to 235 and in April touched the high level of 273. These figures are taken from Bombay and have their special significance to mills and other companies. The rise in the cost of living in other industries is more or less on a par with that of Bombay. The rise is not confined to cost of living index only. Wholesale prices too have moved up to a substantial level particularly those in regard to agricultural commodities. The index number for whole sale prices (1939=100) was 258.3 in May, 1945 and rose to 299.3 in May, 1946. Prices of manufactured articles have been steady and have not come down on the whole and the general index number is 255.

The increase in the cost of living as well as that in the prices of wholesale goods has caused considerable disequillibrium in the economic sphere. These numbers are relied upon to corelate wages, or dearness allowance to the workers and the people. It is, therefore, important that the unrest represents the true state of affairs as there has been criticism of the manner in which the index numbers are compiled. They require modification both as to content and scope and there is the need for uniformity in the selection of base periods between the centre and the several regions and also between the regions. Moreover, compilation should be more

comprehensive so as to include all persons employed by the government, commercial firms and labour employed in factories. Further, the index number should be compiled not only of leading cities and industrial centres but also of some selected rural centres.

It is high time that the question of wages and salaries in all aspects should be considered seriously by the central, the provicial and the local governments as well as by the industrialists and private employers. Whatever be the station in life a man is occupying, if he is a wage earner or a salaried person, he is clearly entitled to a remuneration which at least comes to the standard of living of his status in society, and that of his dependents. Workers cannot be expected to be out of pocket indefinitely for their living expenses. This is the situation which has arisen for some time past. During the war people could be expected to waive their personal interests but now they have to safeguard their present as well as future interests. The last war has produced revolutions. The old order of social relations has changed. The masses have been stirred with new hopes and ambitions of the post war era. They have imbibed a spirit of self-confidence and self-assertion. The war has produced a new psychology in labour. Social schemes have given labour a new place in society. It is against this background that the wage question has to be reconsidered. Strikes have forced the issue of wage determination. A mere increase in allowances is not likely to settle the question.

The issue has to be faced. The wage question must now be related to standards of living. Psychological along with cultural needs have to be taken together to hit upon a suitable wage. Food, housing and clothing are necessities and must be provided according to the standards of health ; and requirements of a minimum standard of living, which should also include education, medical facilities and some cultural wants of the workers. All these needs are to be translated into money terms and may appear to be startling when compared to the pre-war wage level. But short of the wage adjustment on the aforesaid basis, there appears to be no chance of a stable basis of peace on the wage question.

Adjudication is no doubt a peaceful method for solving strikes. For a stable industrial peace there needs to be the agreement regarding the basis on which adjudication is to proceed. At present the workers demand not only a compensation for higher cost of living but a wage sufficient to give them a minimum stadard of living. The contents of minimum standard of living have to be determined by the present way of living and not by the subsistance idea.

Another important consideration in fixing new wage levels in this country is that they should not be fixed by judging the pre-war standards, which represented more or less the traditional or static wage and had no relation to the dynamic age in which labour was coming into its own as an

economic and as a political force. There is also the socialistic urge; political, social and economic equality ideals are now being insisted to be fulfilled in the present society.

If the spread of unrest or militant spirit is to be checked a spontaneous adjustment of the wage question in its entirety must take place early. No doubt the governments both provincial and local have appointed Pay Commissions to go into the question but their scope seems to be limited and it is to be seen how far their recommendations are accepted and implemented. The Governments at the same time cannot remain mere spectators with regard to the growing unrest among the wage earning classes. In some cases the labour leaders have been able to get some substantial concessions from some employers and have secured higher money wages as against real wages. This will cause great instability to the country's economic life. It will result in higher cost of production which will be detrimental to the development of Indian industries as they will not be able to compete favourably with the industries of foreign countries. As a result of this, Indian industry will suffer losses and unemployment will eventually increase. What is wanted, is therefore, the improvement in the real wages of labour, i. e., good working conditions, better housing, shorter hours, and adequate facilities of welfare work in general. Such measures should be reviewed by an expert committee consisting of representatives of

industrialists, trade union leaders, government and economists. The Government should also appoint a National Wage Board and Regional Wages Boards to determine the problem of wage level and the correct wage to be paid for different industries and also different parts of India. The Board should be made permanent so that they may be able to tackle all questions pertaining to wages from time to time. It is only by doing so that the problem of determining a proper wage can be reasonably solved, otherwise the general unrest will continue to spread and while the problem remains unsolved it will bring in its wake considerable discontentment among the workers, and economic disequilibrium in the country.

Welfare Work.

Welfare work in Indian factories specially was taken up seriously just after the last war and may be said to be the result of post-war prosperity and labour unrest. The labourers became conscious of their general well being and demanded certain amenities of life from the states as well as from the employers who became more sympathetic towards labour as they had learnt by past experience that the efforts made to better the conditions of labour generally has resulted in greater production and harmonious relationship. Further they had enough funds to spare for tne purpose. The labourers themselves with the idea to help themselves organised on cooperative basis with certain schemes. So efforts in this direction of industrial labour wel-

fare have been made by state, employers and labourers and the private agencies as Y. M. C. A. and Sewa Samities.

It is very difficult to say whether enough has been done in this respect. On the other hand a good deal remains to be done to come to the level of other industrialised countries. Welfare work may be said to include efforts in every direction having for their objects, improvements for health, safety, general well being and the industrial efficiency of the workers. The state has passed necessary legislation in the factory acts for the health and safety of the workers. The employers are now required under these acts to afford such facilities as proper ventilation, cleanliness, first aid, workmens' compensation, cretches, maternity benefits etc. The employers attitude has also changed. Some of the employers have made good efforts to improve the general condition of life of workers within and outside the factory. Within the factory they are provided rest rooms, canteens and drinking water facilities etc., and outside the factory they are provided tenements in their settlements on nominal rent. In their settle ments there may be a school for children and a small hospital, a meternity house, a consumers' stores. There may be playgrounds for the workers and children. The employers look after cleanliness of the settlements. There are good roads to move about. In matters like these the improvement trusts and municipalities are also playing an

important part. The labourers themselves have also established welfare centres. In those places where labour is organised, the Textile Labour Association of Ahemdabad has hospitals, schools, cinemas, library and reading rooms, cooperative credit banks consumers stores or cheap grain shops for their workers.

Similarly social agencies have also done a good deal by providing educational and recreational facilities for the labourers and their children. The most important activities which can be undertaken outside the factory towards the welfare are i. education ii. housing iii. medical aid iv. maternity benefit v. recreation vi. cooperative stores or cooperative saving banks and vii lastly cheap food. With regard to education it may be said that for want of proper education they are not in a position to improve their environment in general. They are indifferent towards their own health, and sanitary conditions. They do not realise the necessity of clean and sanitary surroundings. Education should go a great length in raising the standard. Some sort of education will improve their intelligence and it will help to improve their efficiency. They will be able to receive training of technicalities of their own particlular industry. Similarly their children by getting education as well as technical education in day or night schools will be better fitted for their work. In this connection it may be said that reading rooms and libraries should form a part of their education.

Housing. A problem of providing suitable houses to the workers is very important. In fact the inefficiency of Indian labour may be due to the want of suitable housing accommodation. An Indian worker is considered inefficient, his output is considerably less than that of labourers in other countries. He is incapable of sustained work. He absents himself much even while he is working. He wastes a good deal of time in either loitering or in idleness. Discipline is unknown to him and he is hard to manage. He has very bad ways of living and any increase in wages is likely to be spent more in absenting himself from work than increasing his standard of living. Very little has been done to find out why an Indian labourer is guilty of the above charges. We find that housing condition particularly in the industrial areas in this country are terrible. The worker lives in an overcrowded house. His diet is far from satisfactory, his food is less than adequate, he is indebted beyond his means. One of the results of insanitary and overcrowded housing condition is the high rate of infant mortality. The foremost class of any society or state should be to devote more attention in improving the environments of the labourers and in making them better men. Good houses mean the possibility of life, happiness and health. Bad houses mean squalor, drink, immorality, crime and in the end diseases, prisons etc. Insufficient and bad houses are also responsible for industrial unrest. There is an intimate relation

between good houses and stability in working class. This fact has been recognised by progressive employers who have built model houses for workers. In fact one of the reasons of migratory character of Indian labour is the bad and insanitary houses in cities. It has been found where proper housing accomodation has been provided the number of absentees has become less and the workers only go to their villages when their annual leave is due. It may, therefore, be concluded that the comparative inefficiency of the Indian labourer has been due to the environments in which the labourer has lived and worked. It is, therefore, an important responsibility of state and of employers to provide suitable houses to the workers. The situation in regard to housing has not improved very much even by the improvement trusts which try to clear up the slumps in large cities.

Medical aid and maternity benefits.

The importance of offering medical assistance has already been recognised and appreciated. Provision for medical assistance has been made and medical assistance to female workers is more important. It ensures the efficiency of their workers and also for their childern. The women workers are given maternity benefits before and after their confinement. She can claim payment at a certain rate during her absence. Similarly cretches are provided where the women workers can leave their babies while they are at work.

Recreation. The workers should be trained to spend their spare time in recreation so that they may be relieved from the monotony of work and be able to resume the work next day with renewed vigour and energy. Another benefit of establishing recreational facilities would be that the workers will abstain from their habit of attending liquor shops. There are various ways in which this ca.. be done as far instance, making provision for outdoor sports, cinema shows, magic lantern lectures, attractive clubs, dramatic performances etc.

Cooperative Stores. The condition of the working classes may be improved by organised cooperative consumers' stores where from they may be able to get cheap food stuff and clothings. Similarly it is necessary to provide facilities for cheap food at moderate rates in the factory areas. There should be rest sheds within the factory where the workers may be able to rest during the interval or may be able to have their food. Another important problem in which the people interested in industrial welfare should find interest is the amount of indebtedness of the labourers. There are types of social pests who prey upon the workers by advancing them money and they loiter about the mill areas to get their payment of debts by force. The wages of the Indian workers are low. Their small income is further reduced by the heavy inroads made by the exorbitants, which they have to pay for the debts

which originate in necessity and in living or which may be the result of illiteracy, ignorance and low cultural attainments.

After meeting the demands of their creditors they are left with a very small amount and in fact not sufficient enough to provide them with a diet which may be good enough to build strong physique. It is necessary to pass legislation affording some measure of protection to the workers as has been done in Bengal and C. P. Whatever may be an increase in wages it will not affect immediately the standard of living or the efficiency of the workers. It is necessary to spend more money in providing more welfare work because if high wages are paid they might be dissipated in wasteful expenditure or may be lost to creditors. If the employer or the state have to benefit the worker any money spent on welfare work will be well spent. Apart from its humanitarian aspects its economic aspect is even more important. It will better the conditions of the workers. The employers will also be benefitted by having more efficient, happy and contented workers. There shall be greater harmony in industrial relation between the employer and employees. It may be said in conclusion that we have to go a long way in the direction of providing even moderately adequate labour welfare work in this country. The employers as well as the Government have still to play their part in this matter. Concerning intimately with the general well-being of the workers. While we are thinking

of planning the industrial expansion of the country in future, we have also to consider the labourer by whom the industrial edifice has to be built. In fact they are the foundations and it is essential that the foundations must be sure and strong.

LECTURE V

Combination Movement in Industries.

The combination movemen in Indian industries has been rather slow as compared with other industrially advanced countries. The reasons are not far to seek. The country is still industrially backward and no necessity has been felt by industrialists to combine. The industrialist magnates wish to keep up their independence in the management of the concerns controlled and managed by them. The reason which is responsible to a large extent for the absence of industrial combinations in this country is the managing agency system, which provides the economies of combination by group management of industrial concerns. It has a great influence on the structure of industrial organisation. We have already discussed under Managing Agency that the undertakings managed by them work partly on the lines of horizontal combinations and partly on vertical combinations. Attention is drawn to the details given therein.

However, in addition to these peculiar combines there have also been certain amalgamations and mergers with the object of eliminating competition or having a big Bussiness by combining together several units. For example, the British India Corporation Ltd has taken over several companies engaged in several industries.

They have become the property of the corporation, and some are known as branches of the corporation as they have been dissolved, while others are still subsidiary companies. Similarly the Associated Cement Companies Ltd. is a big merger to amalgamate a large number of cement companies. The Cement Marketing Company of India Ltd., and the Indian Jute Mills Association are cartels. The former has done much to increase the sales and at the same time to reduce the cost of cement to the consumer. The Indian Jute Mills Association controls the industry in its productive capacity, protects the interests of members against competition, finances and encourages technical developments in plant and machinery, helps in the opening out of new markets etc. It has served well the industry and the users of its products. Again the Indian Sugar Syndicate is a combination of the U. P. and Behar sugar manufacturers. It controls the sale of sugar by fixing quotas and minimum selling prices. In the matter of combines in Industry, much has still to be attempted and achieved. During the post war period some sort of integration and combination of Indian industry is essential if the industry and commerce of the country are to survive and integration should be immediately brought about in the key and major industries in the interests of the country.

Localisation of Industries.

The industry in this country was concentrated in the early stages in localities which were

favourably placed due to the agglomerating tendencies that favour concentration of industries in a locality e. g., Bombay and Calcutta. They were important sea ports and junctions of railways, that is to say, the transport connections both for natural resources and markets for their finished products offered the most suitable location. All the factors of production were found in suitable form. The managing agents were present to supply the necessary capital and in fact the capital was available only in these towns. The transport system had linked those towns with the sources of raw-materials and consumer's market both overseas and inland.

Bombay was the great centre of raw cotton market and similarly Calcutta possessed certain exceptional facilities such as cheap water transport and proximity to Jute and coal. It had a disadvantage with regard to the transport of its products as compared to Bombay. But it was more favourably situated in respect of power resources, capital and organisation. Here the British managing agents had their Head Offices. The other industries also such as tea and coal which utilised a good deal of their finished products were intimately bound up in their finance, marketing and administrative functions with Calcutta. In recent years, however, a number of factors have helped the breaking up of this excessive concentration. We may say that so far manufacturing activity was near the sources of

raw material, the sources of power markets, the availability of labour and even in some cases the patronage of the governments.

At present new centres are springing up owing to the changed conditions. The means of coummunication have improved considerably i. e., the transport relations with raw materials and finished products have changed. Even the sources of power have changed at present. Coal is not the only source of power, electricity and oil are equally important. The establishment of the paper cement, sugar, iron and steel, matches and many other new industries have created new centres of activity. Bombay and Calcutta cannot expect to supply the needs of the consuming market of a large country like India. Moreover, the cost of transport to and from these centres is an important consideration. The transport relations of the new centres are much better as they are situated nearer the market. Furthermore, the capital and business ability are becoming more abundant in other centres. Then, in Bombay and Calcutta high rents, high rates of wages have broken down the local concentration. These are known as deglomerating tendencies. On account of these the higher developed areas are declining. Other centres are developed even if they have some temporary inconveniences.

In fact, in a country like this, the local concentration of industry should not be over-rated and it is desirable to secure a more equal geogra-

phical distribution. The old cities have become too congested and all the evils of concentration of industry are visible. The excessive specialisation is considered not to be general advantage of the economic life. It is, therefore, desirable that industrial life should be moved to other less congested centres. Even from a purely economic point of view there should be a diversification of industries so that the country may not suffer any handicaps due to their dependence on a few industries. The industrial centres should be able to survive any depression owing to the varied nature of their industrial activity.

Another factor which has favoured the new industries to set up in suitable localities is the policy of discriminate protection. Industries like paper, sugar matches etc., have grown up fast under the shelter of high protective duties. On account of this it has become more important to insure that the industries which are already protected or are seeking the protection are located suitably. The location of the industry is, therefore, a very important factor for the development and success of industries.

Secondly, the country is still undeveloped. The suitable site can be chosen by means of a carefully worked plan for a future development of industrial areas. There should be no haphazard methods of chosing sites. The transport relation must be well balanced, that is to say, the sources of raw material, power resources and maketing

centres should be considered thoroughly. The coal deposits in the country are concentrated. The places near the coal areas have the best transport relations. The markets and the raw materials may be very far. If, therefore, suitable alternatives to coal can be developed near the sources of raw materials and markets, certain localities now labouring under a handicap will have superior transport relations. The utilisation of new forms of powers such as petroleum or hydro-electric energy have made possible the establisment of industries in these industries not supplied with coal. It is the transport relations and not the mere geographical distance relations that have economic significance. Each industry has the location determined by the transport relation in respect of raw materials and goods required for production and in respect of the market. The circumstances affecting localisation of industries are changing and the centres of industry in future will, therefore, change under those conditions.

Cotton Industry : The above concentrations may be studied in the light of the localisation of a few specific industries. The cotton industry affords a good example of the statement that it is not necessary for the industry to develop near the production of raw material. In the U. S. A. the Southern states grow cotton while the manufacturing is carried on largely in the north. Neither Lancashire nor Japan grows any cotton and yet they are great centres of production of cotton

goods. In India there is a wide distribution of raw cotton and there are ginning and pressing factories ditributed all over the country. But the manufacturing industry was located principally in the Bombay Presidency. It proves that it is not the distance relations so much as the transport relations that are important. In the textile industries generally the cost of transportation is so small that raw materials and finished products can go very great distances with very little addition to total cost. Ocean transport is cheaper than land transport that is why Japan is able to take cotton from India.

Secondly, there is no great difference in wieght between the raw material and finished product made from it, and there can be no special consideration to manufacture the cotton in the producing centre which are less favourably situated in other respects. It may be said that raw materials tend to attract industry to their places of production in inverse proporation to the amount of raw material that enters into the finished product. Conversely, the presence of the raw material a large proportion of which is wasted or it is a weight losing material, will attract manufacture to it, e. g, paper industry must be located near those places where wood—pulp or grasses are found. Oil industry is usually located in those centres where materials for oil are found. This is not the case with the textile industries.

Thirdly, in cotton there should be a good selection of the material as well as reliability of supply. A factory will, therefore prosper in a locality where raw material is assembled in large quantities or where there is a cotton market than in the region of production. In the light of these considerations Bombay was admirably suited and located in respect of cotton industry owing to its favourable transport relation with the raw material and the market and owing to availability of productive factors and the presence of enterprising merchants and managing agents. Railway freights were favourable. There was cheap sea transport. Bombay was able to import cotton and mill stores and other acessories of production from other counries more cheaply. The finished products were exported to China, Hongkong and such other places, and, therefore, the industry enjoyed special transport relations.

Since 1920 considerable changes have taken place and the cotton industry is getting more widely scattered all over the country. The number of mills in Bombay has decreased while the number of mills in rest of India has increased. Those factors that favoured concentration in Bombay are disappearing and the new factors are exerting a contrary influence, e. g., the prices of raw materials or natural resuources are higher. Cost of land is higher. The transport relations are not favourable. High wages, high taxes, high rents, high rates for water and other services are making it increasingly difficult to hold its ground against new

centre. Further, it is losing the advantage in respect of its transport relations owing to the changes in the character of its production. It does not supply the foreign market to the same extent but supplies the internal market. This has increased the transport cost. Moreover, the wages in Bombay are much higher than in other places. The other advantages in the matter of capital have also disappeared. The other centres are now able to raise capital for the development of industry. The future position of the cotton industry in Bombay will depend upon the extent to which by a process of grouping and large scale production and concentration on the production special kinds of finer goods can be produced. If they can produce on large scale they can have the advantage of concentration. By specialising in the production of superior varieties of cloth for which there is not much competition, and by having economies of large scale production, Bombay will be able to maintain her ground.

In the new factory locations the workers expenses rent and food supplies, the quality of the raw materials, the spread of electric power are important considerations. The dry climate which was considered a great draw back in the up-country places, is no more a disadvantage. At the same time the drier climate is less exhaustive for the labourers. The home market is becoming more and more important and the up-country mills are having prosperous times.

The cotton industry has spread to a very large extent in southern India on account of the spread of electric power. Places like Madura, Tuticorin, Coimbatore, afford the best instances of the wide spread of the cotton industry owing to the hydro-electric projects.

Jute Industry. It does not follow the same law of location as the Textile industry. The raw material is cheap and, therefore, cannot afford much transportation cost. The raw material is transported very cheaply by many water ways with which Bengal abounds, Moreover, Bengal is the world's jute producing centre and its position as such is not likely to be challenged. There are about 95 mills manufacturing jute and about 90 of them are concentrated in or near Calcutta and there is no likelihood of Calcutta's position being seriously threatened.

Coal and Power. The best coal deposits are concentrated in the comparatively small area. The other coal fields are of much less importance. The Raniganj, Jharia and Bokaro fields produce 90% of the total coal output of the country. High grade coal is found in this area and any industry which has to depend upon coal for its power but having the advantage of raw material in places far from the region finds the cost of coal very unfavourable. The supply of cheap power to these areas is a primary necessity if industry is to develop successfully. The development of hydro-electric power

will improve the industrial development of these places which have unfavourable transport relations in respect of coal, for example, in Mysore, Bombay, Madras, Punjab and U. P., the development and use of hydro-electric power will help the development of industry. One forgets, however, that the cost of the electricity will be an important consideration if it can be supplied more cheaply than coal and then power from coal may be displaced. There is another factor: electricity may also be produced from coal and in these areas, situated near the coal fields, the power will be cheaper. The cost of coal, therefore, and the cost of electricity at different centres will influence the localisation of industries. The future location of industries in India depends upon the extent to which water power resources are developed, and electricity from coal is generated. Industries like Iron and Steel and Engineering which cannot dispense with coal will always tend to establish not far from coal. Other industries may be located near the water power zone provided electricity at low cost can be produced. Location of industry will depend upon the transport relations of various centres in repsect of raw material, power and market.

Iron and Steel. The iron industry is entirely dominated by consideration of raw materials—iron ore, coal and lime stone. The localised raw materials are costly to transport and secondly, both coal and iron are considered as weight loosing materials and

the industry is, therefore, raw material localised rather than market localised.

If coal and iron are at some distance from one another the ore goes to the coal, because the ore is less weight loosing material than coal. The best location will be at the point of minimum transportation cost in regard to both coal and ore. In some countries for example in U. S. A. the tendency has been for the coal to go to the ore in order to secure the minimum transport cost. In such cases the chief consideration is to take advantage of the market and in the U. S. A., market has been the chief consideration, and the transport relation with raw material sources are quite favourable, for example, the industry has been moving from eastern Pennsylvania. Similarly the iron and steel industry in Chicago district is located on account of the fact that Chicago is a centre for agricultural machinery industry and has a large local market, and similarly, heavy British steel industries are moving to the sea coast, for they can obtain easily imported ore and can export easily their products or use them in the ship building industry. In India the most important iron and ore lie in the iron belt extending from the district of Singhbhum to the states of Orissa. The ores are very rich and lie close to the coal fields, the distance separating them is less than 200 miles. This is a very important consideration as the freight on raw materials is a very heavy item in the cost of transportation. The Tata Iron

and Steel Co. Ltd., at Jamshedpore are able to bring the iron ore from the distance of 50 miles and coal from about 100 miles. In this respect this country enjoys unrivalled position as compared to Europe or America where coal and iron ore have got to come from a distance of 200 or 300 miles or from larger distance. India is, therefore, able to produce pig iron at less than half the cost in America or England. It is, therefore, clear that iron industry depends upon raw matrials. The steel industry, however, depends upon a highly trained and technically efficient class of labour and upon organisation. The steel industry in India has worked under disadvantages on account of the hot weather in summer and, therefore, regions with colder climate have advantage over the tropics.

Sugar Industry

Sugar industry is dominated by accessiblity to raw material and the industry must be established in relation to transportability of sugar-cane irrespective of the cost of fuel and power. In the manufacture of sugar it is necessary that there should be not merely a sufficient quantity of sugar cane in existence but that the cane should be fresh when it is crushed. A sixteen mile radius round about the factory is the utmost that can be economically managed. So a sugar factory can be successfully worked if sugar cane is found in proximity to it. Such concentration of sugar cane areas is to be found only in U. P., Behar and Orissa and the Punjab and only in a few favoured

localities in Bombay and Madras. Power is not a dominating factor in the location of sugar industry as nearly whole of the fuel required for generating power can be provided by sugar cane stalks.

Paper Industry.

The principal seat of paper industry is in Bengal and in the neighbourhood of Raniganj. There are other smaller mills, there is one in Bombay Presidency, one in Madras, one in Punjab and one at Lucknow but the Bengal mills produce more than 3/4th of the total output of paper. The paper industry must be located in centres which enjoy favourable transport relation in respect of raw materials, power and market. When grass was the chief raw material the industry was drawn to a place near the source of power and market, thus Titaghar Mills and Bengal Paper Mills were located at Raniganj, although they have to obtain grass from a distance of 900 miles. It was cheaper to pay freight on grass rather than to pay freight on coal and finished products. The power and market became the chief consideration. If, however, cheap power transport can be obtained as in Punjab it can have greater advantage and industry will be attracted to it. Its further development in India depends on Bamboo pulp which is cheaper than grass. This change in the nature of the raw material will alter the location and the location will have to be determined by good transport relation with bamboo growing regions and cheap power.

In certain areas where bamboo pulp is produced the industry can be developed provided hydro-electric power can be obtained or, if the power can be obtained by using wood fuel instead of coal. If it is situated at a great distance or there is a redirection on the freight of coal — for example there are important bamboo growing tracts in Chittagong and Calcutta — the development of hydro-electric power may attract this industry to it. The industry will itself locate in the centres which have the cheapest transportation cost in relation to market, power and finished products.

Cement.

The cement industry in India has grown enormously owing to great natural advantages. Lime stone of excellent quality exists abundantly in many parts of the country and close to the railway lines. It has been found possible, there fore, to establish factories in those places which are near the querries and are situated not far from the railway stations. In fact no where there is a distance of more than 20 to 30 miles between the factory and the railway. Dalmianagar which has become a very important centre of cement production is only a 100 yards from the Dehri — on - Sone railway station. Here lime stone and other ingredients are found and there is plenty of water from the river quite suitable for producing the best portland cement. Dalmianagar has become a very important place of industry of cement, sugar as well as paper. It has got the

biggest power house plant in India which supplies electric energy for running the sugar factory, the cement factory and paper factory. In fact the capacity of plant is large enough to supply more energy for fresh industry, if necessary. The other important centres of the industry are Katni and Jubbulpore in C. P. Cement is also produced in Kathiawar and Gwalior. There is also one factory in Madras. The existing factories are able to satisfy nearly all the requirements of the country. If more factories are to be established they should be located near markets not served by the existing factories and near hydro-electric power zones.

Leather.

The tanning industry is so much dependent for its success on cheap supplies of tanning materials that the location depends upon tanning barks. Madras is the biggest centre in India for the tanning of hides and skins, because the tanning bark is available cheaply and in plenty. Elsewhere the cost of railway freight makes tanning with the bark commercially unprofitable. At present the northern India hides and skins are sent to Madras for tanning where they are tanned and partly exported out of the country or are sent back in the tanned state to Agra and Cawnpore. Another important factor in the location of the tanning industry is the supply of local labour in Madras where there are special centres pursuing this trade. In other places the development of leather goods manufactures is entirely

the outcome of military efforts to obtain supplies for boots and other leather goods. Cawnpore's reputation as a big leather manufacturing centre was originally built upon the Government Harness and Saddlery factory which became a great success. The army provided a great important market which helped the localisation of the industry. Moreover, Cawnpore possesses certain additional advantages. It is a convenient centre of collection of hides from northern India and for distributing goods to other places. Babul bark, an excellent tanning material is also available cheaply. Although Madras is very important as a tanning centre but the leather manufacturing industry has not grown owing to the absence of a wide market in the South. In Northern India the industry has successfully developed owing to the presence of a wide market.

Need for Proper Location of Industry.

A great deal of ill feeling has been created on account of the uncoordinated development of industries throughout India. It has been observed that the industrial development which has taken place so far, is somewhat lopsided and narrow, both in spread and in its benefits. Indian industrialisation so far has not been able to confer equal or equitable benefits to the different regions of the country or to the different sections of the vast population. A few illustrations may be given.

The cotton textile industry is located in Western India while its original home was Bengal; and Bengal lost her place. It does not mean

that Bengal is not fit for the development of cotton industry. It is favourably situated with regard to raw materials, power as well as markets. Similarly, there is a great scope for the development in other parts of the country. On the other hand, there are doubts felt about the future of cotton industry of Bombay on account of high cost of labour, high cost of power, and high level of provincial and local taxation. Again take the case of sugar industry. There is again too much concentration in U. P. and Behar. The total number of sugar mills is 136 out of which there are only 8 mills in Madras and 6 in Bengal. With the extension of irrigation facilities in South India, there is bound to be a great scope for the development of this industry. Similarly, Bengal has scope for the development of sugar industry as she consumes a large quantity of sugar.

Iron and steel industry may have to be established in other parts of India where iron ore, coal and coke, are found and still there are regions to be exploited for the production of iron ore and coal. It is quite likely that Bombay may prove an important centre for this industry because it has a large local market and excellent transport relations. On account of these few instances, one may come to the conclusion that a proper distribution of industries throughout India should be secured.

So far in the localisation of industries, the dominating factor has been the transport relation

of the centre of production in regard to raw materials, power and markets. The availability of other factors of production is also important where capital is abundand and labour can be attracted to it. That is why we find that the industrial activity is changing from one centre to the other centres in some industries. Such influences are bound to affect the localisation of industries in future. Again, we find that the industrial enterprises have been concentrated near the coal fields because distant places could not get the advantage of transport relations.

With the development of hydro-electric power, which may be supplied at low cost, the future location of industry is bound to be affected Further, owing to the vast size of the country the transport cost of marketing and a better distribution of industrial activity will always be found more economical. No one centre can meet the requirements of all parts of the country. The markets will also influence the localisation.

The present concentration in particular regions has already created serious problems of socio-economic or social character. It has created slums congestion and conflicts, bred diseases and poverty Again, industries have grown in certain localities without any economic reasons and have remained there with no economic advantages. The last war has put in the forefront the considerations of localisation from the strategic point of view. Lastly, the proper location of industries has been advocated

to bring about as far as possible, an equal distribution of wealth in the country. It means regional self-sufficiency because at present some provinces are highly industrialised and others are very poorly developed. The problems of unequal distribution of wealth and standard of living of people in various parts of the country have arisen.

The problem which has become very important from the social and economic points of view, has been receiving consideration of the Government of India. The economic Advisor to the Government of India issued a "Study on the Location of Industry in India." Its main findings relate to the following points:-

(i) that the distribution of industrial activity in India is extremely uneven, not merely absolutely, but also in relation to the distribution of population.

(ii) There is a marked trend towards a certain degree of decentralisation and dispersal of industries in the country tending to reduce the disparities as a result of recent industrial developments in the provinces. There is also a movement of industry from British India to the States. There are also further possibilities in this direction owing to certain special features of the country, such as, its vastness, the spread of raw materials, plenty of labour etc. The development of inland transport facilities and power resources, will be further contributary factor favouring industrial dispersion.

(iii) The large industrial concentrations are to be found in cities and centres which are already creating enormous problems and present further more serious difficulties in regard to housing, transport, and various social services. There are just score of large industrial towns in a country like India.

These findings point to two considerations :— Firstly, there should be a more even distribution of industries as between regions in order to secure a balanced development of the country as a whole and secondly, there should be a planned development of industrial towns so as to eleminate the social evils arising from excessive concentration. Industrial location, therefore, is a matter of fundamental importance, not merely to the general and widespread well-being of the community, but also to its social structure so that the standard of living may be improved and raised to the maximum extent practicable and to the widest extent possible. Industries have to be located and fostered by wise consideratons of the economic advantages as well as of social costs. Proper location will ensure the general welfare of the whole country.

It is important to examine how the industrial location in future is to be planned. The problem has to be investigated thoroughly on an All-India and Regional basis with particular reference to the economic potentialities of each individual region and its fundamental social structure. A thorough and detailed survey of the industrial possibilities

as well as of the existing industries of the various regions of the country, will have to be made. Regional studies of an intensive character will be required on the economic resources and factors of production, on the basic set up of the economic and social life, on the present state and future posibilities of agriculture, cottage and small scale industries and large scale industries, the structure and growth of population, the pressure on land etc., of each individual region. A detailed census of population and production of the different regions will also be necessary in order not only to throw light on their social and economic structure but also to enable the selection of industries suitable to them.

Certain general principles for the dispersal of industries into rural and urban areas may have to be laid down so that the industries which are to be encouraged should fit in and balance with the existing economic structure of the area and that they should be such as to be of advantage to the national policy for solving unemployment, congestion, and other social problems and that they should not operate under uneconomic costs. It is necessary, further, to acquire full knowledge of the characteristics of the area as well as of the industry to be fit in there as the factors affecting location are different for different industries. In short, an extensive and intensive enqniry into the economic conditions and facts of all the areas is needed.

A second important implication is, that the State will have to play an important part in order to ensure that the location takes place on the lines desirable from the broad national point of view. It may have to own and manage industries itself or seek to ensure even distribution of industrial development by subsidising cost of production, if need be. It may have to prevent over-growth of industrial towns in the regional development. It will have to create essential economic background and develop the economic incentive necessary for dispersal of industries which would ensure an even spread of economic welfare consistent with efficient industrial expansion. The State will have to develop internal means of communication, power resources, financial institutions etc. It may have to exercise some influence on taxes, rent and wages. It may mean a very judicious balancing and compromise between private enterprise and State ownership and control.

In the actual working out of any schemes, many questions are bound to crop up which will require for their solution detailed statistical and factual data and information than is available at present. It may presuppose a census of industrial units, a census of production, an intensive study of existing location and size of industrial units, a thorough enquiry into the cost of living and living standards of the various regions of the country and into their economic and social structure. Decentralisation would be desirable if the living standards

of the population could thereby be levelled up to a reasonable degree and there could be net national benefit from such a process. The issue has to be tackled from local, regional and provincial angles. The local Governments in consultation with the Central Government will have to take necessary steps for dispersion. It has to be coordinated and controlled by a Central Authority such as National Industries Board or Industrial Development Commission.

For fuller discussion refer to Commerce Dec., 1945 Economic Planniny by Dr. S. G. Rao.

LECTURE VI

TARIFFS

Upto 1923 the fiscal policy of India was guided solely by the need for revenue and protective or preferencial considerations did not play an important part in the framing of the tariffs. The appointment of the Indian Fiscal Commission in 1921 which was the outcome of a long-standing demand of the Indian public for a revision of tariff policy opened up a new era in Indian Traiff History. Following its recommendations in 1924 an element of discriminating protection was introduced into the tariff of India and a policy of according preferential rates of import duty to a limited number of commodities originating in the United Kingdom and the British colony began with the signing of the Ottawa Agreement between India and United Kingdom in 1932.

The principle of iscal autonomy for India was accepted by the British Government in 1921 and the Indian Fiscal Commission was appointed in the same year. The Commission's findings were that the Industrial development of the country had not been commensurate with the size of the country, its population and its natural resources and that a considerable further development would yield great advantages to the country ; that the case for protection for India was strong owing to its being an agricultural country with abundant raw materials

and ample sources of cheap labour and potential power; that the large and important jute, steel and cotton industries of India had proved possibilities of turning India's natural advantages to account; and that the necessity of raising a large revenue from customs duties must inevitably lead to a policy of protection regardless of choice.

The Commission recommended a policy of Discriminating Protection and the establishment of a permanent Tariff Board to investigate the claims to protection of particular industries, to scrutinise the tariffs, and to advise the Government on its operation. Concerning Imperial Preference the Commission recommended that no general system of preference should be introduced; that the question of adopting a policy of preferential duties on a limited number of commodities should be referred to the Indian legislature after preliminary examination of the several cases by a Tariff Board; that if a policy of preference should be adopted, its application should be subject to approval of the legislature, should in no way diminish the protection required by Indian industries or involve any economic loss to India; and that such preference as it was found possible to extend to the United Kingdom should be a gift but that in the case of other parts of the Empire preference should be granted only by agreements mutually advantageous on a voluntary basis and in the interest of India.

The recommendations of the Fiscal Commission were accepted in principle by the Indian

Legislative Assembly. The Discriminating Protection was to be given to those industries which in the opinion of the Government of India satisfied the following conditions.

(i) The Industries seeking protection must be one possessing natural advantages, i. e. abundance of raw-materials, cheap power, sufficient labour supply and a large home market. If the Industry does not possess such advantages it should not be protected; otherwise it will become a permanent burden on the community.

(ii) The Industry must be one which without the help of protection is either not likely to develop at all or is not likely to develop so rapidly as is desirable in the interests of the country.

(iii) The Industry must be one which will eventually be able to face world competition without protection.

This policy of Discriminating Protection has been called haulting and incoherent. It has been argued that it has been conceived and executed more with a view to protect British interests than to reduce cost of production. The principal feature of Discriminating Protection is that each industry is considered seperately and its claim to protection is examined without reference to the problem of industrialization of the country as a whole. The first clause that the applicant industry must possess natural advantages has proved to be a great obstacle to many industries.

In no country of the world an industry can satisfy all the conditions with regard to raw materials, cheap power, adequate supply of labour and a large home market. Most of the industrially advanced countries have to rely to a greater or lesser degree upon imported raw-materials and on foreign market. If this formula was applied to the industries of other advanced countries it is extremely doubtful if any of those countries could have attained their present industrial position. Again it has given nothing more than a meagre assistance to industries whose subsequent development has been left te take its own course. Moreover the procedure adopted by the Tariff Board and the Government has been very dilatory.

The Tariff Board is a body to recommend and the Government may sleep over the recommendations, if they like. On the other hand the Board of Trade in England has full discretionary powers to vary the tariffs. The advisory committee advising the Board of Trade disposes of the cases so quickly that it becomes possible for an industry to receive instantaneous relief against foreign competition. Even if an industry fulfills the first condition it is impossible to fulfill the second condition, because in that case the industry will be deemed to require no protection at all. Consequently the applicant industry as well as the Tariff Board should not overstate the advantages enjoyed by the industry for they would not be able to get protection. If on the other hand, the

advantages are under stated condition No. 1 is not fulfilled. The third condition, i. e., the industry should be able to face world competition in due course without protection may be considered as inconsistant. If the first two conditions are satisfied the industry should be able to face world competition in due course without protection.

Whatever may be the defects of Discriminating Protection, India has made some progress though not to the extent it should have made. Beginning In 1924 protective duties were established on Iron and Steel, printing and writing paper, matches, cotton piece-goods, heavy chemicals, silver thread and wire, sugar, wood pulp, rayon piece-goods, raw-silk, silk-piece goods and other commodities. During the period there was a significant change in the composition of India's trade. Finished goods accounted for 84% of the total value of the imports in 1920-21, by 1936-37 the percentage had declined to 75%. There was a striking fall in the import of cotton piece-goods iron and steel manufacture and cement; and almost complete disappearance of imports of sugar, soap and matches and a remarkable increase, in the volume of Indian trade in these articles. The progress of the protective industries is, therefore, quite evident. The Iron and Steel Industry has stabilized and is fast reaching the stage of meeting India's entire demand. The growth of the Sugar Industry is well-known. Cotton Textiles have expanded appreciably. The Jute industry has grown

to its full size while several others like paper, cement, matches etc., have reached varying stages of development.

Imperial Preference was first introduced into the Tariff Policy of India in a Trade Agreement between India and United Kingdom signed at Ottawa in 1932. Prior to that except for the differential duties adopted in 1927 and 1930 on the protected classes of iron and steel and cotton piece-goods, accordingly as they were of British or non-British origin. India had maintaind on the whole an open-door policy. The Import Duties Act enacted in 1932 by the United Kingdom imposed a duty of 10% on all important commodities which were not subject to duty under earlier Acts or not included in the free list attached to the Act. Faced with the prospect of being placed at a disadvantage as compared with other Empire countries as a result of additional duties on its exports to the United Kingdom, India negotiated the Ottawa Agreement with the United Kingdom. It became effective from January 1, 1933. On the Indian side, the commodities subject to protective duty, duty free commodities and goods admitted at specially low rates of duty were excluded from the agreement on the broad ground of national policy. Preferential rates were not specified because it was considered essential since customs were the main stay of the Government finance; and the Government should retain freedom to determine rates from time to time according to revenue needs.

A margin of preference (10%) was fixed to be attained by reduction of duties on Birtish goods, incerease of duty on foreign goods or a combination of both methods. Preferential rates were established on about 40 tariff category of goods.

In January 1935 a supplementary agreement was concluded between the two countries and in March 1936 the Indian Legislative Assembly recommended that the Ottawa Agreement be terminated and the possibility of entering into bilateral treaties with various other important countries be explored. Consequently a new agreement was signed in London in March 1939. The Agreement of 1939 narrowed down the preference granted by India to the United Kingdom excluding articles of food, drink, tobacco and raw-materials or semi-manufactured articls which were entited to preference under the previous agreement. The majority of the items on which preference is given, to the United Kingdom are specialised products not then manufactured in India or produced in India in negligible quantity. This was considered to be a gain to India.

With the introduction of Imperial Preference the customs import tariff was transformed from a single to a four column schedule. Three sets of preferential rates are accorded to specified goods from the United Kingdom, a British colony and Burma. In 1941 an arrangement was made with Burma by which each country guaranteed to the

other a position of special advantage, many commodities continued to be on the free list.

Barring the few industries which have developed to some extent either due to protection or other causes such as the last war, there has been little or no development in other spheres, e. g. there was hardly any development in the shipbuilding industry. There are no concerns which can manufacture machinery, motor-cars, air-crafts, machine tools etc. As a matter of fact there are many gaps in the industrial structure of the country. Indian public opinion has been calling for the industrialization of India on a larger scale for more than half a century.

Post-war planning contemplates a concentration on comprehensive and rapid industrialization Now India is in a better position to accomplish this step than ever before in its history. There are, however, formidable obstacles tending to retard the speed of industrialization. The puprose is there and fisical policy will be shaped to the desired end Statements from Indian post-war planners officia and non-official and a sentiment of the nationalis economic press of India have emphasised the importance of tariff protection for domestic industries specially war-born and prospective key industries established to meet essential national wants. To attain this objective it has been proposed to enlarge the powers and activities of the Indian Tariff Board.

In this connection another suggestion has been made that a suitable machinery similar to the ad hoc committee under the safeguarding of Industries Act in the United Kingdom be established and it should consider the claims of new industries to protection without recourse to the Tariff Board. Everyone agrees on this point that on embarking an extensive industrialisation, India must be free to adopt whatever methods may be essential irrespective of current economic doctrines in other countries and to encourage indigenous industries by reasonable protection.

It is further suggested that the new Tariff Board should resemble the old in name only. It should be called upon to make recommendations as to the best manner whether by tariffs, subsidies or other forms of aid. The industries chosen by the Governmen may be fostered, encouraged and developed. A permanent Tariff Board with a few highly qualified members and strong and efficient secretariat is urged. It has been further suggested that while full tariff protection should be granted to essential industries solely on their individual merits, others of less importance may be accorded a degree of protection just enough to bring them to stable footing, otherwise the State will be putting a premium on industrial inefficiency. Protection should at best be a means to an end and not an end in itself.

LECTURE VII

COTTAGE INDUSTRIES.

India has three sorts of industries. The place of large scale industries in the economic system of the country is well known. The importance of small scale and cottage industries in our national economy cannot be minimised. In fact the small scale industries are even more important. The number of workers working in large scale factories is very small. It has been calculated at about 15% of the total number of industrial workers. Moreover, factory labour is mostly found concentrated in a few industrial centres and more than 60% is to be found in the provinces of Bombay and Bengal while the labour engaged in small scale and cottage industries is more evenly distributed over all the provinces of India.

There is no doubt that small scale and cottage industries are very important in our national economy. Let us further consider as to what is meant by these two expressions, that is small scale industries and cottage industries. From a technical point of view small scale industries belong to the same catagory as large scale industry differing only in point of size and location. The small scale industries are defined by the Bombay Economic and Industrial Survey Committee as those where power is used and the number of workers

employed does not exceed 50 and the capital invested is less than Rs. 30,000/-. Generally speaking the manufacture is carried on in the homes of artisans themselves and sometimes in karkhanas where more than nine persons are employed.

Cottage industries are defined as industries where no power is used and the manufacture is carried on in the home of artisan himself and if the work is carried on in small karkhanas the workers employed do not exceed nine. It is very difficult to get an accurate idea of the number of workers engaged in small scale and cottage industries separately as the necessary statistics of industrial employment are not available in this country. The only statistics available are from Census Reports, the Factory Reports and the Government of India Publication known as large Industrial Establishments in India. From these details, the number employed in different industrial establishments can be known but not the amount of capital invested in them ; while no figures are available of the size of establishment of the non-factory population. From the information available we find the following figures; number of workers in large scale industries 1482 (in thousands), no. of workers in small scale industries 228 (in thousands), number of workers in cottage industries 6141 (in thousands).

Let us first discuss the place of small scale and cottage industries in our national economy. The answer apparently to the question would be

that their place should be determined by the extent to which they are able to sell their output at prices which can compete with those of similar goods produced by alternative methods of production, There are certain special considerations, however, which must be taken into account when considering their question :--

(a) the necessity for securing full employment.

(b) the necessity for necessary equitable regional distribution of industry.

(c) the necessity for securing equitable distribution of the produce of industries.

The first consideration is very important. In this country the number of unemployed is a very large one and there is also seasonal unemployment on a large scale. The question to be answered is whether this problem of unemployment can be solved by large scale industries only. The answer is two-fold. Firstly, it cannot solve the problem of seasonal employment. In this country there are about 7⅛ lacs villages and about 5000 towns. The problem of full time employment of the villages cannot be solved by large scale industries. This can be solved by subsidiary occupations which need not require much investment of capital nor of much skill and can be taken up and left off at will. There should be a large number of cottage industries to provide employment and feed these villagers. Secondly, how far this problem has been

solved by the large scale industries can be estimated by the extent of their achievements in this direction. They have been in existence for more than half a century but a very small number that is about one and a half million is employed. Even if we assume that the further industrial development will employ more workers, we may say that as a result of the extension of large scale industries, the number of workers will not exceed another million or two. This would stil[1] leave a large number of population unemployed among the people of India. In order to secure maximum employment small scale and cottage industries have an important part to play in our economic life.

The second consideration that is to consider the necessity of securing an equitable regional distribution of industries is particularly important in this country. The large scale industries are found cencentrated in certain areas and as such there is a considerable disparity of wealth producing capacity in different parts of the country. The consequence is the growing dissatisfaction between provinces and even within the provinces themselves. The villages are becoming jealous of the position of the cities. This feeling is bound to grow with the growing potential power of the rural classes. There is, therefore, much to be said for decentralising the industrial structure of India. The small scale and cottage industries are the ideal instruments through which it can be achieved

The third consideration of securing a more equitable distribution of the produce of the industries is equally important. The growth of large scale industries has been the cause of inequitable distribution of income. It is necessary to evolve a production system which will not lead to such a state of affairs. In order to achieve this the small and cottage industries should be developed which will make the production more widely distributed and, therefore, there will be a more equitable distribution of the produce of industries. We have seen from the above that the development of small scale and cottage industries is necessary and this importance is so great that even special treatment becomes quite justified for their retension and promotion.

The next question to be considered is the special problem of small scale and cottage industries. All the industries may be classified under three heads, firstly, those which are auxillary to large scale industries. Secondly, those which are employed in the supply of repair services, for example, motor-repairing, small workshops and small engineering establishments. Thirdly, those which are engaged in the manufacture of finished goods, for example, brass and copper ware, gold and silver thread, furniture, cutlery, printing presses, soap making, rice and flour milling etc. In the case of first two there is no question of competition with large scale industries. The third type has to face the competition. We may now discuss

the difficulties of small scale industries and suggest ways and means of dealing with the same.

The most important of these difficulties is that of finance. The amount of capital required for small scale concerns is too small to attract the attention of big capitalists. The banks are indifferent to deal with small scale industries. It is not an easy matter to place the shares of a small concern on the market by joint stock method. All this makes it exceedingly difficult to find capital for small scale industries although their need for finance is very great. The only way this can be met seems to be by the creation of industrial banks which should liberally advance working capital and capital for purposes of establishment and improvement of equipment to the small scale concerns. State aid in the form of loans by the provincial governments is not enough. It is only a Banking institution which can adequately perform this function. This has been done by the establishment of an Industrial Financial Corporation in this province but more should be done in this direction. The banks should be run on business principles and those incharge of the banks should be persons who have the interest of small scale Industries at heart.

Next to finance is the need for a commercial and technical intelligence service for use of small industries. They cannot afford the employment of techincal experts whose absence has definitely adverse effects on their efficiency. The government

should make available to them the services of such experts. The technical services useful for the country should be instituted and maintained by the government and their advices made available to the small scale industries. Equally important is the research work for cheapening the methods of small scale production, for example, in Japan where small scale industries play an important part, the production of a complicated finished product into a number of simple parts has been found economical and has resulted in cheapening the cost of production. This can be achieved with the assistance of technical experts.

Commercial intelligence is another important need of small scale industries which only, State with its extensive resources can meet. Commercial intelligence is an important factor in successful marketing. Every provincial government should have a department whose services should be made available to the small scale industries. It would help considerably the marketing of the products in the country as well as overseas.

Another important requirement of small scale industries is protection against foreign competition and against internal competition from large scale producers many of whom really represent the foreign manufacturers. A sufficiently high import duty as well as excise duty will help the situation. In fact the policy of the government should be such that there should be coordination between the large scale and the small scale industries. It is necessary

that the old tariff situation should be reviewed by the Government of India in the light of the requirements of small scale industries and promoting the establishment of more such industries in this country.

Another complaint is with regard to the railway freight charges. Under the present policy advantages are given to large units and some modification is necessary in this policy with a view to promote the interest of small scale industry.

Cottage Industries

Cottage industries may be classified on various basis, but the most familiar method is on the basis of material and the following heads must be distinguished :—

(i) Industries dealing with cotton, wool and silk, such as hand spinning, weaving, dying, and printing etc.

(ii) Industries dealing with wood, e. g. furniture making, and toy making.

(iii) Industries dealing with metals e. g., brass, copper, and iron etc.

(iv) Industries dealing with leather such as tanning, making of shoes, and chappals etc.

(v) Industries dealing with earth and sand such as pottery, bricks.

(vi) Industries connected with food e. g. sweetmeet making, rice pounding, and oil pressing etc.

(vii) Miscellaneous industries such as bangle making, paper making, book binding, biri making, and fish canning etc.

The problem of all these industries are similar in character. Their difficulties may be summarised under the following heads :—

(i) Raw material (ii) Technique and equipment of manufacture (iii) Finance (iv) Marketing (v) Taxation and (vi) Other difficulties.

Raw Materials

All the industries are feeling acutely this trouble. This is due to the fact that the raw materials are purchased by large firms either for export or for consumption in the country. Even if the small artisan is able to obtain materials of good quality he has to pay higher price. In short the position regarding raw materials is that the artisan does not get enough of what he wants and what he gets is of poor quality and has to be brought at a higher price. These difficulties are nearly in all the cottage industries. The only way to solve the problem is by collective or cooperative organisation of the cottage industries for purposes of purchasing raw materials. The government has to play its part in initiating such associations.

The second difficulty is that of implements and technique of production. They have crude implements which are inefficient. The methods of manufacture are as old as their implements or the technique. The experts devote more of their attention to large

scale industries. It is necessary that due attention should be paid to them at the same time so that both of them may be improved. At the same time it is necessary that they should be popularised by means of demonstration, exhibition and other methods.

In addition to raw materials and finance, the cottage industries are faced with the problem of marketing. All of these industries have the difficulties of selling their output at a remunerative price. The difficulty may be due to either the change in the fashion or customs or it may be due to lack of finished and uniform quality on the part of cottage industries. Probably the most important cause of the difficulty felt is that the cost of the output is generally higher as compared with that of machine made goods with which it has to compete. This has resulted in complete elimination of some cottage industries and in others the artisan does not get proportionate return for his labour.

Another difficulty is the lack of organisation. The artisan has to depend upon the mahajans or the middlemen who really dominate the structure of cottage industry. The middleman does not feel interested in him and the artisan has no initiative. None of them studies the market or the designs or the problems connected with marketing. This problem can be solved again with State help. The artisans have to be taught to act collectively. The middleman should be induced to take keener interest in the interest of the workers. If this is

done and state patronage and help is forthcoming the problems of marketing may be solved e. g., in this connection the U. P. Arts and Handicrafts Emporium is doing a very useful work.

Taxes

The artisans complain often of the burden of the local taxes. Octroi duties have to be paid on raw meterials as well as on the finished products and these are paid ultimately not from the consumers' pocket but from the wages of the worker.

Above all, the cottage industries have been a victim of neglect both from Government as well as from public. Government has made no substantial attempt to tackle the technical, financial or marketing problems of the artisans. The public prefers appearance and does not care for durability or in some cases cheapness. The scientists and inventors have not thought of improving their implements as well as technique. In this manner the utter neglect has been responsible for the decay of the cottage industries. It is only recently that enough attention has been paid to the place of cottage industries in the national life of the country. If they are given some place in the national life it is necessary to solve their problems and the State has to make up its mind as to what place they should occupy in the industrial structure of the country. The State must, therefore, have a definite industrial policy and they should be developed on equal lines with the large scale industry. It is necessary to undertake action of a coordinative character. The principal steps

which the State should take are with regard to the following :—

(i) *Research* for improving the implements and techinque so that the cottage industry may be able to work economically. The result of such an effort should be made freely available to the public from whom suggestions may be invited.

(ii) *Finance.* The State should make available new and improved implements on the hire-purchase system. Small loans to artisans who want to extend their business should be made.

(iii) *Education* Education in the handicrafts should be freely made available. Demonstration exhibition should be held and the artisans should be induced to take up new implements. There should be demonstrative classes to teach the improved technique of production.

(iv) *Marketing.* The state may have the market intelligence Department which may be able to keep the artisans in daily touch with the changing requirements of the public. New patterns and designs may be made available to them. The Government may also help them in stocking finsihed products and selling them on large scale basis. It may be done by means of cooperative organisation. Above all it is necessary that the public should be more sympathetic to them. The public should not think of private gains only but look from the point of view of national uplift. They should be more sympathetic by extending

their patronage to the product of the cottage industries even if the output of cottage industries is sold at higher price. One has to consider the point of view of economic development of the country as a whole. In some cases the State may have to protect and subsidise the industries for a definite period of time after which their position may be examined to see if they made any progress. This is necessary to provide subsidiary occupation and to solve the problem of seasonal unemployment with a view to promote a healthy rural and economic life of the country.

In the future economic organisation of India cottage industries are destined to occupy an important position. The country has meagre capital resources and is in a low state of technical skill. At the same time the rural economy of the country has to be maintained unimpaired. Large scale industries are essential to make the country politically strong but it cannot solve the problem of umemployment and cannot make the country independent in the matter of food and clothing. The Gandhian idea of concentrating on handicrats is a laudable one. It is also true that without the development of large scale industries it would not be possible to bring about an accumulation of taxable income which is essential for carrying out the expansion of social services on which the raising of the standard of living depends. Recent development in the technique of industry has made it possible to reconcile the two competeing ideals

The electric motor and internal combustion engines can help the decentralisation of industry over a wide field for the production of consumption goods. This has been done in many countries like Switzerland, Denmark, Germany and Japan. Even in the United States of America it has made considerable progress and the spreading of industry to small towns has proved a blessing to workers in rural areas. Small workshops or small power loom factories should be put up and they will provide more over-all employment than now. The hydro-electric power which is or can be supplied to rural areas will help considerably the establishment of small factories, "We may, therefore, imagine that the industrial pattern for the future would be as composed of a few highly mechanised basic industries at the top, owned or controlled by the State, many handicrafts working preferably on a co-operative basis and in between the two a host of consumption goods' industries mostly decentralised and privately owned but under state regulation in respect of location, size and labour." (*Dr. P J. Thomas*)

LECTURE VIII

STATE IN RELATION TO INDUSTRY

India's Industrial Policy.

India has not yet experienced an industrial revolution of the like known to the western world and Japan. This is so because conditions necessary for such an intensification of industrial progress have not yet been achieved. The history of Indian industries is the history of lost opportunities i. e., opportunities to develop industries have been lost. No body has ever planned for a systematic development of India's mineral and power resources. The country contains vast resources to develope all types of industries. The standard of living of its population is low, it is because production is low and the country depends for its subsistence mainly on agricultral industry. Industries which increase income are neglected. It is a country where people depend too much on the Government for everything. The Gevernment policies which regulate and control the economic activities are unprogressing and their method of approach to industrial problem, has been too piece-meal. In fact the Government policy has definitely discouraged industrialisation and the progress which has been made has been due to either Swedeshi movement, or to the policy of discriminating protection and the occasional wars. Now we have some large scale industries such as

Iron and Steel, Cotton, Jute, Sugar, paper, cement and coal. This might give impression of great progress but the fact is that industrial output per head of population is still very low and a very large proportion of industrial opportunities have not yet been exploited. The result was that in September 1939, when the world war started the Indian industrial system was found very backward and defective. It shows that industries have been neglected. The importance of industries to the future well-being of the country cannot be exaggerated. The country has enormous population and vast potential resources. Rise in the standard of living can only come through an extension of the country's productive capacity. During the war the orders of products required for prosecution of war were distributed among the various belligerant countries within the Empire on the advice of the Roger Commission and the Eastern Group Supply Conference. According to the arrangements only a few products which required no superior skill and practice were assigned to factories in India. Products requiring high technical skill were allotted to U. S. A., the Dominion of Canada and Australia.

It is true beyond doubt that India's industrial war output was restricted in the interest of British trade. The Roger Commission took care to see that the India's war production did not develope in such a way as to hamper British industries or exports. The tendency to sacrifice

war production in the interest of British industries and exports is the root cause of the failure to establish key and heavy industries and the failure to mobilise effectively the potential resources of India so as to make India self - reliant and strong for economic as well as defensive purposes. Even on other industries the effect of war has not been as thought of. The war was expected to produce the greatest improvement in the field of Indian industry. Judging the position by such tests as full employment of available human or natural resources, India has not much to show.

The other countries in the British Empire Canada, Australia have been able to establish all the important industries. In fact the progress made in this country is somewhat artificial and temporary in character rather than real and permanent. The war is responsible for several new evils; there is continuous deterioration of machinery and the physical deterioration in health of the labourers. Many of the industrial plants have become obsolete either due to depreciation or rapid technical advancement in industry all the world over. The worn-out or obsolete plants will be of no use. At the same time labour too has been working much too hard without sufficient regard either to the need for better living conditions or good diet. This must tell on the health of industrial labourers and this is a serious factor which shall have to be taken into consideration.

It is not possible to visualise the post-war economic conditions with any degree of correctness; and a study of post war reconstruction is highly speculative. It may, however, be expected that the boom conditions now prevailling will come to an end and Indian industry will be faced with depression and chaos. Many factories will close down, the output of most industries will contract and those that survive the upheaval will be faced with serious competition from producers. Equally difficult will be the transition in the field of finance, currency, agriculture and trade. The post-war problem will be difficult all over the world but in our case the problem will further be complicated by the disparity between the British views and national aspirations.

In the opinion of some the post war danger in India is in industrial collapse, while the post war need is the industrial expansion. This is however, certain that some of these industries will continue to exist even in the post war period, but it may be true only of such as have been able to rationalise their methods of production and business organisation and strengthened themselves for competition in the post war period. The war has also given chance for the training of industrial labour under the various government schemes and efforts of industrialists. A large number of labourers have been technically trained and they will be able to assist the industrial development of the country. Further the general attitude of

the public, the workers and the industrialists towards scientific research is changed. These will form the stepping stone to proper and faster industrialisation of our country. However, much depends upon the policy of the government. The chief concern of the government in every progressive country is to create rapid development of all classes of industries and particularly the large scale ones.

There is a great need for the development and establishment of heavy and key industries. The problem must be faced as a whole and not in parts. Industrialisation must proceed simultaneously in all spheres. To start a few minor industries while leaving major and key industries out of account is only tinkering with the problem. The scope for new industries is vast. These new industries fall into two classes. Firstly, such industries as dyes, chemicals, electrical equipment machinery, and machine tools etc. and Secondly, those that are necessitated by considerations of material defence such as shipbuilding, motor manufacture and air-craft construction. To whichever category the new industries may belong they will begin to show results after a lapse of time. The necessary spade work will have to be done in the beginning. Confidence will have to be created. Capital has to be tapped. Machinery has to be imported and factories built. Above all it is necessary to plan ahead.

India wants to industrialize, and the reasons are not hard to find. The economy of the country is overwhelmingly based on agriculture, which provides a living for approximately 75% of India's 400,000,000 people. The pre-war per capita income of 60/- a year is insufficient for a standard of living above the level of mere subsistence. Although great natural resources exist, they are in general only partially exploited; the country has for years been known as a primary producer, exporting raw materials and importing manufactured goods. Indian capital is now available in abundance, and, but for the scarcity of machinery and technical leadership, there is every indication that India might even now be well on its way to becoming an industrial power in the world.

The idea of industrialization has been a fond hope and a gradually increasing reality for many years, but only recently has it reached the stage of prominence that it holds today. Perhaps no other occurrence has been as effective in bringing the subject to the fore as has been the publication of a number of plans for India's economic futures, particularly the 'Bombay Plan' for the economic development of India, which appeared in January 1944. This plan was the work of eight prominent Indian industrialists who envisaged a 15-year expansion and extension of industry, agriculture, communications, education, health, and housing at a total cost of 1,000 crores. Slightly less than one half of this amount was to

be spent on industry. Citing figures on national income for 1931-32, the industrialists called for a change in the proportion of income derived from agriculture and industry from 53 to 17% respectively, to 40 and 35%. According to their plan, the value of agricultural production would be increased by 130 percent, and of industrial production by 500%. The principal objective would be the doubling of the per capita income of India in 15 years, with due allowance for the increase in population during that time. Presented as a basis of discussion it was eminently successful.

In March of the same year, the Government published the "First report on the progress of reconstruction planning", as prepared by the Reconstruction Committee of the Viceroy's Executive Council which had been formed in March, 1943. This report announced that economic planning had been divided by the Government under six heads, for each of which a special committee was to be appointed to work out plans for the consideration of a General Policy Committee which would report to the Reconstruction Committee. A "development Officer" was also to be appointed to work, in the case of industries, under the direction of the Industries and Civil Supplies Department of the Government. The Principal need was declared to be factual information regarding India's postwar requirements, and to obtain this information a questionniare was prepared to be sent to industrial and commercial associations and Provincial and State Governments. The Government

also envisaged an advisory panel of industrialists to assist in drawing up an industrial policy. Other planners came forth with their ideas, notably a Peoples' plan published by the Indian Federation of Labour which contemplated a 10 year scheme to increase agricultural production 400%, industrial production 630%, and the standard of living 300% at a total cost of 150,000,000,000 rupees. Still another plan, stressing the importance of village industries, was said to have the support of Mahatma Gandhi.

In response to the public interest in economic planning, the Government created a new department of government for Planning and Development and invited Sir Ardeshir Dalal one of the eight co-author of the 'Bombay Plan' and an executive of the Tata Iron and Steel Co. Ltd. to become its head. He accepted this position and took office on August 1, 1944

In his first press conference in September, Sir Ardeshir made it clear that he was keenly interested in industrial planning. He stated that little progress had been made up to that time and that there had been a very poor response to the questionnaire sent out several months before. His department he stated, was taking over from the Department of Industries and Civil Supplies the responsibility for industrial planning and he went beyond the plan announced by the Reconstruction Committee by appointing a separate policy committee on Industry consisting of a number of prominent industrialist and representatives of Provinces and States. Detailed planning, he said, would be entrusted to separat

panels for each of the major industries or groups of industries.

The Government's Second report on Reconstruction planning partially prepared before the new department was created, was revised and appeared at the fall of 1944. It was a general statement of plans and purposes, looking to a 15 year programme, together with more specific statements for the first 5 years. In point of time, it has followed the pattern laid down by the 'Bombay Plan'. For industry, it spoke in terms of policy — the relationship between industrial and agricultural planning, the priority of power, and the place of cottage industries. It also contained this significant statement: "The pace of development is likely to be governed more by the availability of imported machinery and technical staff than by considerations of finance - - - the most serious difficulty facing the expansion of industry will be the dearth of technical staff, especially for the higher technical and managerial posts".

In January 1945 the Bombay planners other than Dalal issued Part II of their plan, in which they defined the role of the State in economic activity and the distribution of income. They advocated a minimum wage, control of interest rates, limitation of pro.ts and dividends, and taxation. They indicated that agricultural landlordism and the present land-revenue system must undergo reform. Concerning the role of the State, the authors proposed a mixture of capitalism and socialism, aimed at preserving the scope for individual initiative and

enterprise, and adequately safeguarding community interests by sanctions against abuse of individual freedom. They contended that the State would be obliged for a time at least, to exercise control over production, distribution, consumption, investment, foreign trade, and wages.

On March 27, 1945, the Planning and Development Department announced that 25 of the 29 proposed industrial panels for individual industries had been constituted. Each panel is to be given a target for the first 5 years that is to guide it in submitting plans which will be utilized in drawing up an over-all industrial plans for India. The result of their work will be eagerly awaited.

Sir Ardeshir met the desire of a large section of India's proponents of industrialisation when he set up the special policy committee on Industry. The early selection of the industrial panels, on which representatives of the various industries sat and had a part in Government's plans, was also a popular step. He then turned to the most pressing need of all and one which had been loudly demanded — an industrial policy for India. On April 21, 1945, his department issued a statement outlining a proposed policy for India's industrialisation. The statement indicates that in order to secure coordinated and planned development, central control of the following industries is required: Iron and Steel, prime movers, automobiles, tractors and transport vehicles, aircraft, shipbuilding and marine; electrical

machinery; heavy machinery such as textile, sugar, paper, mining, cement, and chemical; machine tools; heavy and fine chemicals; ch mical dyes, fertilisers, and pharmaceutical drugs; electrochemicals; cotton and woollen textiles, cement, power alcohol; sugar; motor and aviation fuel; rubber manufacture; nonferrous metals; electric power; coal; and radio engineering.

At the present time, the statement points out. Ordnance factories, public utility, services and railways are very largely state-owned and state operated, and this arrangement will naturally continue. In addition, it has recently been decided that the bulk generation of power should be a concern of the State. Other basic industries which might be nationalized if adequate private capital for their development is not forthcoming are stated to be aircraft, automobiles and tractors, chemicals and dyes, iron and steel, prime movers, transport vehicles, electrical machinery, machine tools, the electro-chemical industry and nonferrous metal industries. It is also possible that the Government may take over in the same way industries in which the tax element is more important than the profit element—an example of which taken from the past, is the salt industry. Control of industries catering to ordinary consumers' demands and operating under free competition would be limited, according to the statement, to such regulation as is necessary to assure fair conditions for labour. Stricter control, varying with the circumstances,

would be called for with respect to industries of a semi-monopolistic nature which have to work with scarce material resources.

The statement further declared that the State should develop without delay such pre-requisites to industrial progress as transport facilities, power, the survey of mineral resources, scientific and industrial research, and technical education. The Government should also be prepared to assist industry in one or more of the following ways :—

Give loans or subscribe capital to specified industries when private capital is not forthcoming; guarantee minimum dividends on capital or cover revenue losses for a fixed number of years in special cases; support the research of industrial associations in addition to Government's own research activities; purchase domestic manufactures subject to reasonable safeguards as to quality and price; create an industrial investment corporation; give tax relief where taxation tends to act adversely on industrial development; assist in the procurement of capital goods and make available the advice of experts in various fields. The statement reported that a long range tariff policy is under consideration by the Government. In the meantime it is proposed that machinery be set up at once for the investigation of industries that lay claim to protection beyond the essential wartime industries which have already been granted assurance of postwar protection.

The statement asserts that the Government has come to the conclusion that it must have the power to license industrial undertaking in order to regulate the growth of industry. The location of industry is mentioned as requiring control, as well as industries promising quick returns which tend towards overproduction and excessive competition. It is suggested that fixed targets and a regional allocation of industries is the answer to these ills. Such power will require the granting of this authority by legislation. Although it is stated that controls should be kept at the minimum necessary for a planned economy. It is suggested that control of the following may also be necessary: capital issues, wages, excess profits, quality of products, regulation of assets to prevent their concentration in the hands of a few persons of a special community, and regulation of the technical training of personnel.

The statement was almost immediately attacked first on political grounds and then on its failure to promise unlimited tariff protection to all industries, its qualification with respect to quality and price in the purchase of domestic manufactures, and its control over concentration of assets according to communities. It was called simple bureaucracy was termed vague and blurred, and in general was criticized as involving a dangerous concentration of power in the Government. Two days latter the statement on industrial policy appeared, the Commerce Department of the Government issued

a press communique in which it stated that claims to assistance or protection, in terms of the promise in the Government's statement should be addressed to the Secretary to the Government of India in the Department of Commerce.

Openly related to the foregoing plans was the visit of *Sir Ardeshir Dalal* and travelling separately, a group of prominent Indian industrialists to Great Britain for the express purpose of acquainting themselves with industrial progress and of ways in which Britain might assist India with its plans. The visit was encouraged by both the Viceroy and the Secretary of State for India, who have stated that British business interests are ready to cooperate in helping India to industrialise. *Sir Ardeshir* went to the U. S. A. about the middle of June, followed by 2 weeks later by the industrialists and their advisers. Their purpose was the same — to investigate the possibilities of obtaining United States machinery, technical assistance, and to a certain extent capital.

There can be no doubt that a very large number of India's leaders is determined to industrialise. The war has given an impetus to industrial growth, roughly estimated at a permanent expansion of 20 to 25%. Considerable headway has been made in the manufacture of iron and steel products, machine tools, cement, glass, plywood, paper, starch, chemicals, drugs, aluminium, armaments, and a large number of items related to the war effort.

The Finance member has estimated that in the first 5 postwar years the Government of India will have approximataly 1,00,00,00,000 rupees available for reconstruction, in addition to funds of States and Provinces set aside for such purposses, and also in addition to private capital. Of the latter there is an abundance at the present time. The country is also favourably situated in terms of its external credit position. According to a recent statement issued by the Bureau of Public Information of the Government of India, India's pre-war sterling debt of 3,965,000,000, rupees has been reduced to only 140,000,000 rupees and on March 30, 1945, it had accumulated sterling credits of 13,630,000,000 rupees. Because these credits are subject to whatever revision may be called for in so-called Financial Settlement and because 40% of India's note circulation standing at 11,070,279,000 rupees on April 27, 1945 must be covered by gold and sterling, by no means all of this amount will be available for purchases of the machinery, technical assistance, and other services that India requires. In addition, a certain amount will be needed to help India to supply the present demand for consumer goods.

The policy Committee No. 4-B on industries appointed by the Government of India to consider the statement of Industrial policy, met in October, 1945 and the following represents the concensus of opinion in the policy committee :—

1. The Statement of Government's Industrial Policy was on right lines.

2. The proposal to bring under Central control important basic industries was sound and would be in the interests of industrially backward areas.

3. If generation of electric power was confined to the boundaries of a Province it should be a Provincial concern ; if it extended to more than one province, it should be under Central control, exercised through a regional authority on the lines of the T. V. A.

4. The policy in regard to nationalisation of industries outlined in the statement was generally sound, but it required clarification, particularly as regards industries where the tax element was predominant.

5. The licensing of industries was necessary but it should not be taken up by the Centre. The Centre should restrict itself to allocating production quotas and laying down conditions with regard to labour, prices and so on. But the licensing of individual factories and the selection of individuals to whom licenses should be given must be left to the Provinces.

6. A permanent tariff Board should be constituted as early as possible the temporary Board should carry out its duties expeditiously.

7. Even if certain industries were considered to be uneconomic, they should be developed if

such development was in the national interest.

8. The machinery required by Indian industry should be manufactured in India as far as economically possible.

9. There should be no overlapping or conflict between the work of the panels and the Tariff Board and with this in view, the general directive to the panels should be modified.

10. The panels, before they finalise their reports, should consult the Provinces as well as the major States.

11. Some kind of a Central body (whether it was called the National Policy Committee or Economic Council or by some other name) to coordinate planning and carry out the work was perhaps inevitable when planning progressed further.

12. All possible steps should be taken to encourage the promotion of research in the country.

13. There should be an administrative or economic service to carry on the very important economic functions which the government of the future would have to perform.

14. The proposed creation of an Industrial Finance Corporation was in the interests of industry.

15. A clear cut policy of rehabilitation of the coal industry was an urgent necessity.

16. The proposal to set up an organisation in ihe U. S. A. to deal with the disposal of American Surplus property was welcome.

17. The policy proposed to be followed by the Central Government with regard to the disposal of surplus Government property and the future of Ordnance factories was generally acceptable.

B: The following suggestions were also made :—

1. An advisory body consisting of representatives of Central and Provincial Governments should be constituted to deal with matters of genral industrial policy.

2. The communal issue mentioned in para 14 (v) of the Statement was vicious in principle and fatal to the industrial development of the country.

3. Industries should not be divided into those falling under Central control and those under Provincial control, but there should be functional distribution between the Centre and the Provinces.

4. There should be some form of coordination between the Provinces in respect of industries not controlled by the Centre.

5. There was no scope for both Government and private enterprise in the ship - building industry.

6. There should be no bar to Provincial Governments nationalising any industry not nationalised by the Centre.

7. If there was to be State control and State-ownership, it should be exercised through some authority on the lines of the Federal Railway Authority.

8. Government should not encroach without sufficient justification, on spheres in which private enterprise had already entered and invested money.

9. A meticulous licensing might retard the progress of industries, the best way of effecting regionalisation was to help backward areas in providing, the necessary facilities e. g., communications, electric power etc.

10. The lines on which Government propose to liberalise tho grant of protection would be indicated; industry should know, before it undertook a venture, what protection it could expect from Government under certain eventualities; legislation on the lines of the U. K., Protection of Key industries Act should be enacted in India.

11. Small scale industries which were started before the war with patriotic motives and not with a view to making profit should be specially protected.

12. The criterion for protection should be whether the industry provides substantial scope for increased employment without thereby increasing unduly the cost of living.

13. The present taxation system hampered industrial development and needed revision; a committee

should be appointed, preferably with a non-official majority and a non-official Chairman, to examine the present taxation structure and to suggest a more simple and scientific method.

14. A large part of unproductive war-time expenditure should be diverted into productive channels.

15. Firt priority should be given to the import of industrial equipment and machinery.

16. All applications for registration of capital goods received by the Central Government should be referred to the Provincial Government concerned for examination; there should be as little delay as possible in the disposal of applications; applicants should be told of the reasons for rejection of their applications.

17. To guard against a possible deflationary tendency, the control over capital issues should be abolished or relaxed; if the control were continued there should be as little delay as possible in the disposal of applications.

18. The question of continuing controls, especially in regard to production and movements, should be re-examined; only such controls as were necessary for planned economy and development should be retained; they should be exercised with expedition and in the best interests of the people.

19. There should be a proper linking up of controls introduced temporarily with reference to

the relation between supply and demand and controls proposed to be introduced as a permanent measure on grounds of nationalisation or of general policy.

20. Factories which had to switch back to civil production should be given the same facilities as were given during the war in the matter of supply of raw materials and transport.

21. More attention should be paid to the production of consumer's goods in the country than to the manufacture of capital goods.

22. Government should give effect to their earlier proposal to grant for tax purposes special concessions in respect of the depreciation of machinery.

23. India should put forward its reparation claims against Germany and Japan for industrial plant and machinery.

24. Road making was not likely to be of very great assistance in the economic development of the country; irrigation by open wells and tube wells should be tried.

25. Government should themselves arrange for doller credits for the specific purpose of providing machinery to parties who satisfied government of the urgency.

26. If any doller loan to be taken from the U. S. A. were to be repaid from current balances, the Empire Doller Pool should be dissolved and

the current balances should fully accrue to India; if it were to be met from the accumulated balances, a satisfactory settlement between the U. K, the U. S. A. and the Indian Governments should be arrived at.

27. It was idle to hope to build up a complete industrial system unless it provided for the equipment of a modern army.

28. The Central Government should ask the Provinces to undertake legislation on the lines of the Bombay Trade Disputes Act.

29. More attention should be paid both by the Central Government and the Provincial Governments to the importance of industrial and trading estates as an instrument for controlling the location of industries and for helping medium and light industries.

30. Government should decide whether the responsibility for providing housing accommodation was to be placed entirely on industry or Government or whether there was a middle path to pursue.

31. The Central Government before finalising their plans for State assistance to industry, should examine the reasons why the Provincial State Aid to Industries Act were not a success.

32. The Central Government should form a highly competent technical service from which smaller Provinces may draw upon.

33. Representatives of Central and Provincial Governments both technical and administrative should be sent abroad for studying modern methods of planning in countries like the U. K., the U. S. A., and the U. S. S. R.

34. Governments' technical training scheme should not stand in the way of students with private means who want to go abroad on their own.

35. The proceedings of meetings of Policy Committees should be made available at least to the Chambers of Commerce.

36. The reports of panels, when ready, should be made available to the public.

37. Where panels had not been given provisional targets, these should now be given.

Soon afterwards the Planning Department as such under a separate member for development and planning, was abolished and an Advisory Planning Board was appointed with *Mr. K. C. Neogy M. L. A.*, as Chairman, to submit their views on National Planning. It is understood that the Board has submitted its tentative conclusions on National Planning. The Board reviewed the plans of the Provincial as well as the Central Governments and made general recommendations for enabling the Governments to complete decision on the broad principles of planning.

It is further understood that the Board had recommended that a Planning Commission should

be established under the control of the Interim Cabinet for the purpose of supervising and coordinating the various plans. The Board are reported to have expressed themselves against planning being entrusted to a Single Department of the Central Government. Since the abolition of the Planning Department, there has been no department at the Centre directly concerned with the subject. A committee consisting of the Departmental secretaries has so far been responsible for carrying on the work under the control of a committee of the cabinet.

As regards priorities, stress is believed to have been laid on the improvement of the supply of coal, cement and steel as also on the improvement of railway facilities—particularly for the transport of coal. Stress has also been laid on the training of personnel. Among the industries those connected with defence, food and other primary needs of the people, are reported to have been recommended for high priority. The Board is further reported to have stressed the necessity of central coordination and central control as an essential condition for successful planning and development. In so far as the Provinces may be independent of Central control the desirability of joint action on the basis of voluntary agreement is understood to have been pointed out by the Board.

The policy of the Interim Government, with regard to the development of industries has also

been stated by *Mr. Jagjiwan Ram,* labour Member who, in his Presidential speech, at a Tea Plantation Labour Conference, said, "The I. L. O. has found it necessary to set up a number of industrial committees to consider the specialised problems of particular industries. We in this country are also endeavouring to adopt a similar procedure and set up committees for various important industries or occupations."

Considering these developments, it appears that India is in a more favourable position to industrialise than ever before in its history, During the war years it has been able to retire practically all of its foreign obligations, to repatriate its railway and many other foreign investments, to build up large sterling credits and in several Provinces and States to create funds for postwar development. Many Indians have become wealthy and perhaps, most important of all, eager to invest in industrial undertakings.

A considerable number of industries got a start during the war that otherwise might not have been developed for many years. As those industries which are operating on a sound basis are promised postwar protection many of them look forward to expansion and development. Other industries, already well established, are now in a position to expand—increase their output, and develop new lines. On the other hand, machinery and technical skill are absolute necessities, and both of these must come from abroad.

The supply situation for machinery will be very tight for several years, during which time India will have to import consumer goods which otherwise might be produced by domestic industries. Technicians are not plentiful, especially those of the calibre neended to create new industries. Foreign Technicians may not wish to endanger their future by working for firms which openly want to replace them with nationals as soon as possible.

Foreign capital, too, is not likely to be plentiful if the profit incentive is too limited. It would appear, therefore, that despite many favourable aspects India's industrialisation may not be so rapid as most of the plans envisage. The students sent abroad to study will make a great contribution but not for several years. It will also be several years, before much machinery can be delivered. In the meantime, only rigid controls will keep a war-starved people from buying much - needed consumer goods from abroad. The determination to retain Indian control over industry is both healthy and laudable; and if the benefits of industrialisation are anywhere near so great as are claimed by most of its advocates, industry will become increasingly important in India.

LECTURE IX

NATIONALISATION OF INDUSTRIES

The statement of Government of India's Industrial policy issued in 1945 states :

"A primary point in industrial policy is the extent to which the state will take part in industrial enterprise. In India, ordnance factories, public utility services and railways together forming a considerable proportion of the total industrial enterprise are already very largely state - owned and state - operated. This arrangement will naturally continue. Further Government have recently decided that the bulk generation of electric power should, as far as possible, be a State concern. This decision falls within the existing pattern of State and private enterprise. Apart from ordnance factories, public utility services, railways, and basic industries of national importance may be nationalised, provided adequate private capital is not forthcoming and it is regarded as essential in the national interests to promote such industries. For the purpose of Government policy, basic industries can be defined as including aircraft, automobiles and tractors, chemicals and dyes, iron and steel, prime movers, transport vehicles, electrical machinery, machine tools, electro-chemical and non-ferrous metal industries. It is contemplated also that Government may take over certain industries in

which the tax element is much more predominating than tha profit element and it is necessary and convenient for the State to take over the industry. An example of such action in the past is *Salt Manufacture*"

All other industries will be left to private enterprise under varying degrees of control. There may be no control except such as is required to ensure fair conditions for labour, in the case of such industries as those catering for ordinary consumers' demands and subject to free competition while in the case of industries of a semi-monopolistic nature or control - scarce natural resources, there may be a stricter control varying with the circumstances of each case.

The views expressed in this paragraph regarding the scope of nationalisation will be discussed with Provinces and also with the more important Indian States and a further statement issued as to whether the scope should be enlarged at all and if so, to what extent.

Within the field considered open for State enterprise, the question whether the existing units which are privately owned should be taken over by the State will be examined on the merits of each type of case. The Reconstruction Committee of Council has decided in regard to Electricity undertakings that, as licences fall due, they will as far as possible be taken over by the State or quasi-State organisation.

The case of coal will be examined and dealt with separately. Certain industries of national importance such as Ship-building and the manufacture of locomotives and boilers will be run by the State as well as by private capitalists.

Normally, State enterprises will be managed by the State. In special cases the possibility of management through private agency for a limited period may have to be explored. In some cases State enterprises may be operated through public corporations. In order to gain experience of management through public corporations, further experiments will be tried."

To explain the above statement, the Chairman of the Policy Committee on Industries, *Sir Ardeshir Dalal*, said in the Second Meeting of the Committee :

"On the question of nationalisation, the Statement adopts a policy which, I submit, is generally in line with that of the Bombay Plan. It is not based on any doctrinaire considerations but on severely practical grounds. I stated at the last meeting of this Committee that I was convinced that private initiative and enterprise had still a large part to play in the development of industries. But private initiative and enterprise have to be harnessed to the public good. Our aim is to secure a balance between the organising power of the State and the driving force of the free individual. Speaking very broadly, the field of

public utilities is considered to be the preserve of Government or municipal authorities, but the industries outside that field are mainly left to private enterprise. A proviso is, however, laid down that if sufficient capital is not forthcoming for the development of any industry which is considered essential in the national interests, Government will develop it either by themselves or in cooperation with private industrialists. It may interest the Committee to know that, without attempting any interference with private enterprise, Government have under consideration the establishment af a Government ship - building yard for the building of merchant ships as well as vessels required for the future Indian navy. Government have also under serious consideration the establishment of an industry for the building of aircraft for civil aviation as well as for the requirements of the Royal Indian Air Force."

It would be perhaps appropriate in this connection to consider briefly the question of State control and State ownership. We have now an Interim Government at the Centre and its composition is predominently of Congress. The election manifesto of the Congress has to be observed in framing any industrial policy. It emphasised the encouragement and development of industrial agriculture, social sciences, and public utility concerns. It added, "But all this must be done with the primary object of benefiting the masses of our people and raising their economic, cultural and spiritual level,

removing unemployment and adding to the dignity of the individual. Among other objectives set out was the necessity to prevent the concentration of wealth and power in the hands of individuals, to prevent vested interests inimical to society from growing and to have social control of the mineral resources, means of transport and the principal methods of production and distribution in land, industry and in other departments of national activity so that free India may develop into a cooperative common wealth."

Referring to the types of Industrial organisation which the country should have, the manifesto stated that "the State must own or control key and basic industries and sciences, mineral resources, railways, water ways, shipping and other means of public transport, currency and exchange, banking and insurance must be regulated in the national interest." The public should give full support to the economic and social objectives. Liquidation of Zamindari system and some system of cooperative farming was advocated. Decentralisation of industry, and advanced concentration of industry in particular provinces, better balance between the various types of economic activity and the promotion of rural industries were some of the other objectives outlined therein.

Again the Congres passed a resolution at their Karachi Session that "the State shall own or control key industries and services, mineral resources, railways, water-ways, shipping and other

means of public transport." The National Planning Committee laid down the principles that defence industries, key industries and public utilities should be either state owned or controlled. It was decided in regard to defence industries that they must be owned and controlled by the State. Regarding key industries, the majority were of the opinion that they should also be State-owned, though a substantial minority considered that State control would be sufficient. It was made clear, however, that any control of such industries must be a rigid one. Public utilities, it was also decided, should be owned by an organ of the State, such organ being either the Central Government, Provincial Govrnment, or a local board. It was also possible to have something of the nature of the London Transport Board controlling such public utilities.

In regard to the other important and vital industries, which are not key industries, or defence industries, or public utilities, no special rule was laid down. But it was made clear that the very nature of plannig required control in some measure. What this measure should be, might vary with the industry in question. As regards the agency in State-owned industries, it was suggested that as a general rule, an autonomous public trust would be suitable, the nature of such trust being varied in the case of different industries. Such a trust would ensure public ownership and control, but would avoid the difficulties and inefficiency which

creep in from a democratic control. This suggestion was approved of by some members present while others thought that no definite rule should be laid down and the sub-committees should be left free to make their own recommendations. It was also suggested that their might be cooperative ownership and control. The suggestions are being forwarded to the sub-committees for their consideration. It is open to them to make their own recommendations.

In regard to private industries aided or supported by the State the measure of State control is likely to be greater than in unaided industries. The State may appoint directors or representatives to see that the State policy in regard to planning is carried out. Such representatives of the State will not be supposed to interfere in the day to day administration of the industry, but it will be their function to see that the industry is coordinated with the national planning scheme and that general policies of the State are being carried out by the industry. Any planning will involve a close scrutiny of the development of industry in all its branches and a periodical survey of the progress made. It will mean the training of the technical staff necessary for the further expansion of industry and the State may require industries to train up such staffs.

In the even of a private industry being taken over by the State, fair compensation should be paid. In calculating this compensation,a number

of factors will have to be taken into consideration, so that the interests of the general public do not suffer and at the same time, the owner of the industry are not victimized. It was not thought necessary to go into any further details in regard to this matter at this stage. As decided by the N. P. C. previously, it was made clear in order to prevent the growth of future barriers to planning, effort should be made to avoid the establishment of new vested interests.

The relation of industries on a large scale to village and cottage industries was also considered. The fact that the National Congress has laid great stress on the development of cottage industries, and more specially on hand spinning and hand-weaving has to be borne in mind. Large-scale industries and cottage industries have, therefore, to be coordinated in the national plan. It may not be possible at this stage to define accurately the scope of each but in view of the congress policy which may be later the State policy, nothing should be done to erect barriers to the carrying out of such a policy. Therefore, it should be laid down that any large-scale industries which may come into conflict with a particular cottage industry—encouraged and supported by the State, should itself be controlled by the State.

The aims of the Congress and the decisions of the National Planning Committee will have value only in so far as they are included in the

programmes of action and have to be judged in the light of the concrete measures taken to realise the ends. The Interim Government defined its attitude on the issue of Nationalisation of civil aviation.

Sardar Patel said that without a further grasp of the financial implications of nationalisation of air transport and the difficulties by way of administrative ability and operative efficiency of air transport it was hazardous to commit themselves to nationalisation. "Accepting the principle was one thing, but to put straight away into practice without considering its implications and without considering the pros and cons of the business is not nationalisation, but I should say, the liquidation of Government." This shows that the Government will not be driven by theories. So far no definite policy decisions have been taken by the central or Provincial governments. Nationalisation of essential industries has been accepted as a guiding policy by most of the Provincial governments also, but it is in the sphere of road transport that the question has assumed importance. Madras and the Punjab have declared in favour of motor transport being entirely taken over by Government.

It is now realised by every one that there is a case of nationalisation of those sectors of the economy in which the interests of the community are permanent. The State must undertake to protect the community against any possible

breakdown of its essential services. It concerns defence industries as well as communications essential to modern defence.

The State has the right to go not only into those activities where private enterprise is unenterprising but also into those spheres where it has proved to be private misenterprise. In an undeveloped country like ours private unenterprise concerns will cover a substantial part of the total economy. In this case the State can go ahead as far as its resources and its organisation will permit. It is also in the interest of the community that private misenterprise should be prevented by all the resources at its disposal. For example, in the case of minerals, if misenterprise involves wastage of vital and strategic resources, public ownership is desirable. But to complete the case of nationalisation it should be proved that the State is in a position to improve upon the technique, methods of organisation and standard of living of the workers without any additional cost to the community.

The question of nationalisation should be decided on the merits of each individual case and not on the basis of ideological principles. In India the issue of nationalisation should be examined from a purely economic standpoint. The general principles should be that irrespective of the fact whether an industry is or is not a key or a basic industry, whether it is the case of a private unenterprise or misenterprise or otherwise the

State may take over, if the communicy so desires, any industry in which State organisation can bring about a net increase of public welfare which means bringing into the market a largor quantity of goods and services without diminution in any other line of economic activity or depressing the standard of life of any large section of the community.

Further, State-ownership and control are easiest to manage in a highly industrialised and politically mature society such as in England and Germany. In this country the dangers of State management are obvious with the aggravated manifestation of communal conciousness and general lower standards in our lower branches of administration. The State controls sugar industry on an all - India scale right through the stage of production to that of retail distribution. The industrialists are generally agreed on this kind of control. This system can well be applied to a number of industries such as cement, housing societies, farm machinery, fertilisers, etc. In the case of public utility industries, the balance of advantage would appear in the form of State control rather than State – ownership. State control rather than State management should be followed normally except for special reasons such as in the case of ordnance factories, irrigation works, telephone manufacture, etc. What is needed is control of the profit-motive in the interests of the community without hindering the individual initiative and enterprise. Equitable distribution of

wealth will be more easily achieved by State legislation than by attempting socialisation of industries, which at present is likely to degenerate into corruption and favouritism. The management of industries must be necessarily more flexible and dynamic than the running of ordinary administration. (*Commerce Annual Review Dec. 1946*).

(*Eastern Economist June, 14, 1946*)

LECTURE X

CONTROLS.

With the out-break of war in 1939, conversion from peace to wartime economy was most rapidly achieved in the United Kingdom through a comprehensive system of control over production, consumption, trade transport, money, banking, forms of exchanges and public finance. The aims of the economic control were (i) maximum production for war by the fullest and the best employment of all resources (ii) Maximum diversion of resources of goods and services from civillians to war use (iii) Insuring essential supplies no more and no less than absolutely necessary for food, shelter, clothing and shelter for all the people of the country rich or poor for equitable distribution of consumer goods in quantities such as nation could afford in all circumstances and, lastly, maintenance of a properly integrated price-wage income structure.

Thus in the United Kingdom everything was well planned on the economic front, right from the very beginning of war. India, on the other hand, with an inherently weak pre-war economy and increasing volume of Political frustration and economic non-cooperation along with lack of economic unity and widespread scarcity of economic statistics and knowledge was incapable of planning

on a sound economic basis The Government also did not care to get expert economic advice. They tried to tackle the problem in a haphazard manner without taking into consideration the conditions in the different parts of the country, and without any reference to the allied problems.

Another mistake committed was, they started at the worng end i. e., the prices were controlled first and then consumption and production control followed, instead of beginning with production and consumption control leading up to the price control. The first control to be introduced into Indian economy from the moment war broke out was in respect of the export trade prohibiting the flow of all goods to enemy countries and restricting and regulating the flow of goods to neutral and friendly countries in accordance with war needs and shifting scarcity. The export control was followed in March 1940 by the control of foreign trade. The control of the import trade was followed in May 1940.

The export control has taken the following few forms :—

1. Prohibition of all exports to enemy countries.

2. Prohibition of export of certain articles to non-enemy countries.

3. Permission for the export of certain articles without license or under a open general license only to specified countries.

This has been done with a view to preventing supplies of certain exports reaching the enemy, by indirect channel and to conserving the supplies of a number of essential articles either for internal cnnsumption or for use of allied countries. In addition to the direct control of exports and imports the indirect control is exercised through control of exchange transaction.

The subject of the scheme was to obtain control over the foreign currency proceeds of the exports and also to see that the full proceeds of the exports were received at the rates of the exchange fixed by the London Exchange control. In order to ensure that India was not called upon to provide foreign exchange for which she received no returns, banks were prohibited from selling foreign exchanges for foreign goods that were being re-exported to countries outside sterling areas. The import control restricting the import of commodities in this country was followed in May 1940, first of all only such commodities the consumption of which could be restricted without much difficulty or which could be easily replaced by Indian goods or goods imported from countries in respect of which the foreign exchange problem was less actue was introduced. Later on more articles were added gradually and gradually.

The export and import trade controls were being administered by export trade controllers and import trade controllers functioning at the chief ports. The effect of restrictions on the export and

import as well as the inflationary policy of the government of India led to abnormal rise in prices. The prices of food stuffs and other necessaries of life soared to abnormal height. The causes were both external and internal. Exports were curtailed. Trading with some countries was forbidden and trade in some commodities was controlled with the object of aiding war efforts. There was difficulty of obtaining raw materials and machinery owing to shortage of shipping space and war work in allied countries. The price situation was made more acute by internal causes as well. There was not free movement of goods from one place to another owing to strain on railway transport and the rationing of petrol. The problem of the rise in prices was considered by the price control conferences. As a result of the recommendations the first important control launched by the Government of India was on price of wheat. The wheat control order was ill conceived, ill-timed and badly administered. After trying unsuccessfully for over a year the Government of India gave up their attempt to control the wheat prices. In January, 1943, wheat was decontrolled. There has been other controls as well. The food control order, cloth control order, anti-hoarding and antiprofiteering ordinances, ordinances restricting the floating of the new concerns and a number of ordinances were promulgated with the object of checking speculation, inflation and abnormal rise of prices. In this way the ordinary business of life has been

controlled. Although the policy of controls has been with a view to help the war efforts as well as to enable the consumers to obtain their requirements at reasonable prices, but the price control has been ineffective. One of the chief causes of the ineffectiveness of price control has been the irregularity of supplies. A price is fixed on the assumption that a certain supply will be available for sale and if this supply is not forthcoming the control price becomes impossible to enforce.

The prices are fixed by Government without any regard to production or distribution. In fact the exercise of control over cloth and consumers' goods have led those commodities to go underground and it is not easy to get them in the market. Moreover, the control has given rise to uncertainty in the minds of both the consumers and the sellers. The consumer in his anxiety about the future, begins to hoard the necessaries of life. The seller dissatisfied with the fixed price holds back the supplies in the hope of selling them at a higher price in the black market. The cultivator also is not anxious to part with his produce except when he is in need of money. All this reduces the available supply. The result is that the controlled price get out of touch with the reality and cannot be enforced. Price control has been shattered in the country by the fact that either the seller does not have the stock or he deliberately holds it back as he cannot afford to sell it at the fixed price. The supply of the materials on account of

the slow movement of goods becomes less than the demand and all the buyers cannot obtain the commodity at the fixed price as a result black market comes into existence and the seller charges a higher price. This further reduces supply and a vicious circle is formed. The effectiveness of price control depends on the success with which production is increased and controlled, and distribution of goods makes available the stocks to the sellers at the right time. If regular supplies are available the consumers will not try to hoard and will be able to get the supplies in the regular market at the control prices. He will not be prepared to pay higher prices in the black market and consequently the shop keepers will have no inducement to hold back the stocks and refuse to sell.

After the cessation, of hostilities increasing pressure was brought on the government to end economic controls for which there was no justification any longer and were felt oppressive and inequitable leading to favouratism, corruption and black marketing. However, even after the war the supply position of certain commodities was such as to call for continued exercise of governmental powers to ensure the distribution in a fair and equitable manner. The necessity of continuing some kind of control remains for as long a period as the shortages exist. The public objection was directed not so much against the principles but more against the instruments and personnel of controls who were called upon to

operate them. They were considered ill-fitted for their task. Their ignorance, incompetence and corruption undermined the entire system. Doctor Mathai, the Industries member, addmitted that controls were being unfairly exercised by the previous government and, also, ineffectively, the latter because the administartion was rigid and unresponsive to public opinion. Doctor John Matthai gave an assurance that every affort would be made to meet the complaints and critcisms of the public and every suggestion made in the matter would be welcome to the government. The operation of controls by an administration which would be effecient and incorruptible has been demanded.

Following the termination of the war the government adopted the policy of relaxing the several war-time controls over production and distribution in September, 1945. The policy continued during the year 1946. There was, however, no abolition of essential controls such as control over essential commodities, capital issues, exports, imports, foriegn exchange and prices, although in the administration ef each one of them there was a considerable degree of relaxation. In order to secure the desired objectives of control the policy of the government has been to make it more effective and to enforce the control more strictly. Their removal was considered more or less out of question. In regard to the internal distribution of several commodities there were varying degrees

of decontrol over movement, prices etc. By the end of February, 1946 some 150 controls had been removed. An important step in internal decontrol was taken when government allowed the Hoarding and Profiteering (Prevention) Ordinance and the Consumer Goods (Control of Distribution) Order, 1943 to lapse on the 30th September, 1946. By their lapsing government stopped fixing ceiling prices or margins of profit and issuing instructions with regard to the distribution of articles. The provincial governments are, however, free under their own powers of legislation to introduce laws to control prices and distribution as necessitated by local conditions.

In the field of foreign trade, the control over imports was relaxed and trade with countries blocked during the war was made possible. A large number of imported articles were brought under the open general license system. Certain import duties were either removed or reduced. Similarly there was considerable relaxation in export control also. The Government freed from export control a large number of articles for which there was a foreign demand and in which there was an exportable surplus over deomestic needs. Termination of jute control was a major decision in the administration of controls. The government of Bengal withdrew the control over prices of jute and the government of India announced their decision to terminate the Jute Control Order. The Government of India, however, fixed the export price and the

quota for different countries of raw jute and jute goods so that they might be equitably distributed among all the consuming countries.

The interim government decided to issue liberally permission for imports from hard currency countries, if they are necessary for the maintenance and development of the national economy and are not available in the sterling areas. There was liberal allocation of dollars for the purchase of capital goods and shipping and as a result of new policy there is a clear tendency of a rise in imports over exports. With the exception of tea and jute, India imported practically all commodities including food grains. In the field of foreign exchange an important development was the introduction in the legislative assembly of the Foreign Exchange Regulation Bill in 1946, according to which the degree of restriction of foreign exchange transactions can be increased or relaxed according to the circumstances. The control over capital issue also continued to operate. It has been described somewhere else in this chapter.

Controls in respect of silk, jute, drugs, timber, cement, rubber tires and tubes, raw films, wireless sets, non-ferrous metals, ferro-alloys, engineering stores and machine tools were withdrawn or left to lapse in September, 1946. The central government under the Essential Supplies (Temporary Powers Act) 1946, exercises control over production supply, distribution and trade and commerce in respect of certain essential commodities, which are

foodstuffs, including sugar-cane, edible oil seeds and oils, cotton and woollen textiles, paper, petroleum and petroleum products, spare parts of mechanically propelled vehicles, coal, iron and steel and mica. These emergency powers can be continued by the Governor General for two years. It is reported that consequent upon an improvement in the market position owing to an increase in the production of woollen mills in India and larger imports arriving into the country the central government have decided to lift the control on the production distribution and prices of woollen, both indigenous and imported. Restriction upon the export of woollen goods continues.

The Central Department of Industries and Supplies is concerned with cotton textiles, coal, iron and steel, paper and news-print and the distribution of petroleum products. The method in which the control is administered may be briefly described as follows :—

In cloth provincial allocations are canalised through buyers authorised by provincial governments. Retail sales are handled by dealers licensed under rules framed by the provincial governments. The choice of retail dealers is restricted to those who dealt in cloth in any of the years 1940, 1941 and 1942. Ex-mill and retail prices are fixed by the textile commissioner on the advice of the Textile Control Board and are marked on the cloth to minimise fraud. The distribution of Iron and steel is completely controlled. All available iron and steel is divided

into two quotas, one for the railways and the other for industrial and civilian needs. The railway quota is operated by the Railway Board and the other by the Iron and Steel Controller. Control over coal consists, firstly, in the fixation of prices at the pit-head and secondly, on the allocation of production to each large consumer or area. The imports of newsprint are licensed and its sale and purchase are limited to permits for fixed quotas granted to newspapers and periodicals. Paper production is controlled so that only the types and varieties mostly in demand are produced. Prices are fixed periodically on the basis of costs. Imported paper is controlled as regards prices but free as regards distribution. Publication of periodicals requires special sanction of the government. A composite newsprint control order is issued by the Government of India consolidating the provisions of the Newsprint Control Orders of 1941 and 1946. It comes into force on February 1, 1947.

(*Eastern Economist special number December 1946 and issue of January 4, 1947*)

Control over capital issues.

Defence of India Rule No. 94 (a) known as Control of capital issues was issued by the Central Government on 17th May 1943. Under the rule no company whether incorporated or not shall, except with the consent of the central government:

(i) make an issue of capital in British India.

(ii) make in British India any public offer of securities for sale.

(iii) renew or postpone the date of maturity or repayment of any security whether in cash or otherwise.

No company incorporated in British India shall, except with the permission of the Central Government make an issue of the capital anywhere. No person shall issue in British India any prospectus or other documents offering for subscription or publicity or offerring for sale any security which does not include a statement that the consent of the Central Government has been obtained to the issue or offer of the securities. No person shall subscribe for any securities issued by a company in respect of any issue of capital made in British India or elsewhere unless such issue has been made with the consent of the Central Government. If any person contravenes the provisions of this rule he shall be punishable with imprisionment for a term which may extend to five years or with fine or both. The issue of shares for a consideration not exceeding Rs. 1000/- in all to the subscribers to a memorandom of Association was exempted from the requirement of consent. Application giving prescribed information has to be submitted to the Examiner of capital issue. In December 1945, issues with a capital of Rs. 5 lacs or below were exempted.

It was a war-time emergency regulation. The object in promulgating the Capital issues control was primarily to meet an emergency by checking inflation, giving priority to Munitions production and to prevent a scramble for the limited available supplies of goods and services and directing the flow of surplus savings to public treasuries instead of industries. It was also to check the growth of mush-room companies which may spring up to take advantage of the conditions brought about by the war but may find it difficult to keep up their existence or to run at a profit after the war when they may have to face keen competition from foreign countries. Such a regulation becomes useless when the conditions which give rise to it change. Soon after the war there was a strong demand from a certain section of business community to do away with it completely.

It has to be admitted that some sort of control on capital issues is essential in the interest of the country when the post war economic planning is under consideration. The statement on the Government's Industrial Policy stated. "To secure balanced investment in industry, agriculture and the social services, it will be necessary, after the war, to ensure that the available capital resources are utilised on a balanced plan of agricultural, industrial, and other development, and that, inside the fields of industrial development a balance is kept between the manufacture of capital and

consumer goods.....On any reasonable estimate, the capital resources required for these purposes will be heavy and it will be necessary to ensure that the state is in a position to mobilise them from the country's savings. This will make it necessary to maintain control over capital issues; for, otherwise, capital may flow excessively in one direction and lead to lopsided development."

The control is being continued as a part of the national investment policy designed to secure a balanced development of the country's resources in industry, agriculture, and the social services. The control is exercised to see that there is no capital issue for such schemes as are contrary to the development of planning which have been prepared by the Central or Provincial governments.

Since the war ended there has been a large number of applications and the permission has been granted liberally. In the nine months ending June 1946 consents to industrial concerns amounted to 109 crores as against 154 crores in the previous two years and three months, from May 1943 to June 1945. The total number of industrial applications was for Rs. 120 crores and the amount allowed was Rs. 100 crores. The non-industrial applications were for Rs. 90 crores and the amount allowed was Rs. 55 crores. The liberal permission granted to float new companies is keeping in with the needs of the country. The examiner of capital issues received applications from 897 companies, of

these consent was given to 678 companies. Applications for 219 companies with a capital of Rs. 33 crores were rejected.

The above figures do not represent the new issues as they do not include issue in respect of companies the capital of which is Rs. 5 lacs or below. New issues with a capital of Rs. 5 lacs and below were exempted from control with effect from 5th December 1945. This exemption does not apply to Banking, Insurance and Provident Fund companies. This is to prevent growth of unsound credit institutions like banks and investment trusts.

The textile industry tops the list of industrial issues. The film industry ranks next followed by engineering, iron and steel making, mining, electric industries. A sum of Rs 2. 50 crores has been allotted to one company which proposes manufacturing automobiles. Other industries for which permission was given for the issue of capital were oil mills, cycle manufacture, drugs and medicines, paints and dyes, soap and cement works, glass potteries and porcelein, tanneries, plastics, breweries and milk products.

The examiner of Capital Issues has been too liberal in granting permission. It may prove dangerous to the investors. The projects may not be sound. The "Commerce" in its issue dated 23 November 1946 drew special attention of the authorities in the case of those concerns which are

floated for taking over existing industrial companies at fantastic prices.

It says "in such cases, the promotors attractively display the previous records of the company concerned, and paint a rosy picture of the prospects for it, but make little or no mention at all about the price that has been or has to be paid to the vendors." It adds, "We also find that certain individuals negotiate and purchase big blocks of shares in established con- cerns and then resell those shares at a bloated price to a new company the capital of which is obtained by public subscription, thereby passing on the "costly baby" to unsuspecting investors."

"No doubt the Government of India has made it quite clear and has warned the investors that it did not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them but in the interest of the investors there should be sufficient force in the sanction to an issue to enable him to assume that he can safely go in for the securities.

The Examiner of Capital Issues, being an expert, can judge the reasonable possibility of sound and efficient management. He should examine carefully the financial implications of the issues before giving sanction. Only such issues which are not likely to mislead the investors and may reasonably be considered as sound should be

allowed. If any scheme of capital control is to serve any useful purpose in the country's industrial development, it should afford protection to the investing public, prevent promotion of mushroom companies and encourge the floatation of sound concerns to promote the economic development of the country according to plans.

Licensing of Industries.

Industrial licensing which has been carried out by the Government of India with the object of regionalisation of industry has become a very important subject and is considered to be inevitable in the economic interests of the country. The urgent need for it was first expressed in the statement of the Government's industrial policy issued by the planning and Development department of the Government of India, in 1945. The statement says, "The Government have come to the conclusion that they must take power to license industrial undertakings. They have at present no power except for emergency wartime control, to regulate the growth of industry; normally a person may put up a factory wherever he likes and may manufacture in it whatever commodity he chooses. There are, of course local laws which regulate the size of the building, the proportion of open space, public health needs, and so forth; and it is possible under these regulations to refuse permission to put up a factory building, but such refusal cannot be based on considerations of industrial development. One effect of this unregulated

freedom to promote industrial enterprise has been the concentration of industries in certain areas, for instance, the manufacture of cotton textiles has been concentrated in Bombay and Ahmedabad; Sugar in the United Provinces and Bihar; Paper in Bengal. In some cases, there are good grounds for the concentration of particular industries in particular areas, but in many cases it has been the result of fortuitous and haphazard growth. There are vast areas in this country, which, though suitable for industrial development, have not been developed because industry has been tended to flow in particular channels.

The effects of such concentration are economic, social as well as strategic. It seems unsound from the strategic point of view that so large a proportion of industry should be concentrated in a few cities which might well be vulnerable to attack. On the social side it is clear that concentration creates housing problems of a most acute type. Perhaps an even more important consideration. is that concentration deprives other areas of the country of the benificient effects of diversified economy. Lastly it is not clear that concentration is necessarily economically sound. The markets for textiles, for instance, are situated all over India, and cotton, the main raw material, is also grown in various parts of India. From the point of view of the consumer, it would obviously be right to cut out unnecessary transportation costs and to locate manufacture where

both the raw material and the market are situated. Even where concentration appears relatively cheap on the basis of financial costs of production and distribution, it would, in many cases be found, in the long run, both socially and economically cheaper to disperse industry, if regard is paid to the benefits of a widely spread industrial structure and its integration with agriculture.

Control over development would be necessary from another point of view. In an unregulated industrial economy there is likely to be a tendency for capitalists to go in for schemes which promise quick returns. This will lead to lopsided development, a scramble for some industries with the danger of over production and excessive competetion and inadequate attention to other industries which are equally necessary in the national interests. To overcome this difficulty it would be necessary to ix targets, to allocate them on a regional basis and to see that these targets are achieved.

As Government has no authority at present to do this, they will have to take powers by legislation. Government propose that they should take power to license the starting of new factories and the expansion of existing factories, for, without this power, planned industrial development will be quite impossible. At the same time in order to avoid unnecessary delays it is proposed to set up a monetary limit to the plants, moderate extension of existing plants or replacements which

do not add to output should not be subject to licensing. Even on a prelimi ary examination, it is manifest that the power proposed to be taken by Government must be used in a manner that will command general public confidence. It is equally clear that the administration of the licensing system must be such as to assure Indian states that their legitimate desire for industrial development is not overlooked. It is accordingly proposed that a boa.d should be constituted at a high level to advice the Central Government in the matter of granting license for industries specified in paragraph above. Details of the personnel of the Board, its function, and other connected matters will be decided later."

The industries specified in paragraph are:— Iron and steel, Manufacture of Prime Movers, Automobiles and tractors, and Transport Vehicles, Aircraft, Ship-building and Marine Engineering. Electrical Machinery, Heavy Machinery, such as Textiles, Sugar, Paper, Mining, Cement and Chemicals, Machine Tools, Heavy Chemicals and Fine chamicals, Chemical Dyes, Ferilisers and Pharmaceutical Drugs, Electro-Chemical Industry, Cotton and woollen Textiles, Cement, Power Alchohol, Sugar, Motor and Aviation Fuel, Rubber manufacture, Non-ferrous Metal Industry, Electric Power, Coal and Radio Engineering.

Every one will agree with what the statement says and means to achieve. Some form of industrial licensing is essential in this country

to bring about equitable distribution of wealth in different regions of the country. An urgent need to revise both policy and procedure is felt. In the three industries in which licenses have been granted, the cement, vegetable ghee and cotton textile industries, no uniform practice or policy is followed. In the cement industry, of the new production of three million tons per annum proposed after five years as much as 1.85 million tons have been allotted to the two powerful groups now operating in the industry. In the cotton textile industry the allocation has been left to the Provincial Governments on the basis of a quota for each province fixed by the Textile Control Board. The size of the new unit is reduced to 25000 spindles and 600 looms and as many applicants as possible have been satisfied. In the vegetable ghee industry twenty seven licenses have been granted. It seems that a seemly haste has been displayed in the distribution of licenses and it was not necessary to do so when the main issues of planning policy had still to be settled, and the questions of policy had not been decided. Considerable misgiving exists in commercial circles that licenses have been granted to those who could manage to get in first. In these industries licenses have been granted and as far as anybody other than the fortunate licensees are concerned, that is the end of the matter.

If industrial licensing is to achieve the objects described in the statement the policy and

procedure should be revised. Firstly there should be an overall plan for the industry, so that it should aid in the fulfilment of a plan not for one industry only but for all industries together. For example, the location of cement plants and their administration and working are not matters for the cement industry only but they are vital for housing schemes. Secondly the optimum unit should be fixed and the number of units to be established must depend on the optimum size of a unit for each industry. The settlement of the location of new units should depend mainly on the consideration that they are able to produce at the lowest cost so as to secure the minimum selling price in the principal markets for the commodity. It is only then that the licenses should be issued and this must be done on considerations of efficiency, considering not only the needs of a particular area but the responsibility of industry to the whole country. There must be the dispersion both of ownership and control so that the claims of all sections to share in the country's industrial life are fully considered.

The Air Licensing Board has been constituted to grant routes to all companies which have been floated. To dispel the misgiving felt in other cases there has been more propaganda and publicity. In principle this Board is an improvement on all the others. Its deliberations are to be open to the public and are to be of a quasi judicial character. The principles on which the

decisions are to be based are not known nor any guidance as to the basis on which the licensing is to be undertaken has been given by the Department of Civil Aviation. It may, however, be hoped that this board will not distribute licenses in the same reckless manner.

(*For full discussion refer to Commerce Annual Review 1946 and Eastern Economist September 20, 1946*)